

Internal Audit Report of Bingley Town Council
Date of visit 25/10/2017

Introduction

This is my second year of auditing Bingley Town Council. It was agreed when my services were contracted that there would be two visits per year, a mid-year visit and a year-end visit. This was, of course, the mid-year visit and during the visit Ruth and I determined an auditing programme of work for each audit to ensure that all areas are covered.

The role of an internal auditor is to ensure that there are robust controls in place which ensure that the council is able to function effectively. It is important therefore to ensure that an auditor is objective and independent from the council in order to make considered improvements for the future. As I am not part of the organisation being audited I am in a position to look at the current operation of Bingley Town Council and make objective and useful recommendations for improvement.

Future Internal Audit Programme

Mid-year visit

- Progress regarding previous Audit Recommendations
- Register of Interests and compliance with the Code of Conduct.
- Examination of the Council minutes since the last audit to determine activity and make comments
- VAT
- Web Site
- Budgetary process
- Insurance
- Ensuring robust financial controls remain in place
- Financial transaction testing since the last audit
- Salary SLA
- Ruth's appraisal
- Challenges to the Council since the last audit
- Legislative changes since the last audit

Year-end Visit

- Progress regarding previous Audit Recommendations
- Examination of the Council minutes since the last audit to determine activity and make comments
- Financial Policies and Procedures
- Other operational policies
- Asset Register
- Insurance
- Ensuring robust financial controls remain in place
- Laura's appraisal

- Financial transaction testing since the last audit
- Annual Return
- Challenges to the Council since the last audit
- Legislative changes since the last audit

Areas covered at this visit

Previous Recommendations

At the start of any audit my starting point are the recommendations from both previous internal and external audit reports.

The Annual Return for 2016/17 is correctly published on the Council web site and the External Auditors gave the Council an unqualified audit, this is excellent and well done to Ruth for this achievement.

At my last visit I found good systems of control there were no areas of concern to highlight. My recommendations from that visit were:

- Bingley Town Council considers their reserves and set a policy for doing so. *Ruth gave me a copy of both the Reserves and Risk Management policies which are to go to full council in November which I found to be satisfactory. My only comment is that the Council will need to note what the earmarked reserves are and the corresponding amounts. The Council has such a lot of activity going forward that these particular reserves will require regular revaluation to ensure that projects are properly costed and can be afforded.*
- Six monthly probation period appraisals completed for Ruth. *Ruth had an appraisal on the previous evening the 24th and this had not been written up and signed as yet. She said that the appraisal had been positive and helpful.*

Current Council Activity

Prior to any audit visit I examine the minutes of the meetings which have taken place since my last visit. This helps me to understand the current council activity and I can comment accordingly.

Bingley Town Council is undertaking numerous projects which will have positive outcomes for the community. This is admirable and as I commented in my last report it is fortunate that the Council employed an experience and qualified clerk to take it forward.

Future activity that I noted and subsequently discussed with Ruth was the taking over the toilets from Bradford City Council and the possible TUPE of a toilet attendant.

The toilet refurbishment project is to include incorporating a council office and a Public Works Loan Board (PWLB) loan is to be applied for in order to finance the work. This will be an onerous process and having supported other parish councils in their PWLB applications I know that it is not always straightforward. There is a lot of information required for the completion of the forms and this takes time to ensure all boxes are ticked.

Ruth said that she was working in partnership with the Chair Cllr Dawson and Vice Chair Cllr Marcus Dearden on this process. The toilets are to be closed by Bradford Council on the 31st of March 2018.

Once all approvals have been obtained part of this process will be the correct treatment of VAT on a capital build which again can be problematic. It is advisable to contact other councils who have already completed their PWLB financed projects to share information and to hopefully avoid any problems. Ruth has been on a VAT course and the Council is to obtain further specialist VAT advice which is an excellent idea.

As the Council progresses its projects the proper treatment of VAT will become increasingly important. The Markets project and the sponsorship of floral displays will both have VAT implications which will need to be considered.

The examination of the minutes since my last visit raised queries which Ruth was able to answer such as the suspension of the Financial Regulations for the purchase of Christmas lights which was found to be satisfactory. Others included the Community Asset Transfers, market consultant for Bingley Markets and future sponsorship of a Christmas tree arranged by Bradford Council.

One of my queries which Ruth was unable to answer satisfactorily for me was the donation of funds to the Bingley Chamber of Trade for Christmas decorations in the Town. In the minutes it stated that the advice of the YLCA had been sought to ensure that this decision was properly considered. Ruth had obtained advice from the YLCA who stated that the Council's own grant awarding process should be used. This advice was not taken and the minutes also stated that concerns were raised regarding this topic and a paper highlighting the issues had been prepared and distributed to all councillors.

I asked Ruth for a copy of the paper and found that it explained that simply donating monies to an external organisation was not acceptable practice for a government organisation. Local Councils can of course donate small amounts of money to local worthy causes and individuals but these are usually for small amounts. To ensure good practice the process for small donations should be discussed and resolved at a future meeting.

Public money should be closely guarded and it is the duty of all councillors to ensure that proper processes are correctly followed. I was unable to ascertain the reason for the giving of monies to the Bingley Chamber of Trade in this way. It is disappointing that Bingley Town Council agreed on a course of action that is not compliant with good governance and this is a significant audit finding of poor practice.

Whilst looking at Councillors Register of Interest I noted that one of the councillors was a member of the Bingley Chamber of Trade and he had not declared this and had taken part in the vote.

I am sure that this was an oversight on the part of this person. Councillors are reminded that it is their duty to declare their interests.

If there is any training on this issue then I recommend that councillors attend.

All councillors must remember that they must adhere to the seven Nolan Principles of public life and their individual completion of their Register of Interest Forms must reflect this.

- **Selflessness** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- **Integrity** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- **Objectivity** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.
- **Honesty** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership** Holders of public office should promote and support these principles by leadership and example.

Financial transaction testing and financial systems of control

I found excellent financial controls in operation and the transaction testing carried out in the months of July, August and September were all satisfactory.

At the date of my visit the Council's bank account had been reconciled on the 30th of September and the amount in the account of £183,591.15 which I checked and found to be correct.

Ruth explained that the Council were going forward with obtaining financial software. This is an excellent idea as the amount of financial transactions to be carried out does warrant the use of more specialised application. This item is to be discussed further at the next Council meeting.

Since my last visit the Council has acquired a Multi-pay card, this is an excellent idea particularly with the increased use of Internet procurement. I found the controls in place to ensure the proper use of the card were adequate my only comment was that this should be added to the Internal Financial Controls process.

The Council is to go forward with Internet banking in the near future; Unity Bank the Council's current provider does have an inherent approval system which will require the Council to re-examine to ensure that when used, payments are made securely and timely. I will look at this area again when the Council decides to go forward with it.

Register of interests

I examined all the Register of Interest forms for all councillors; each councillor had completed one and was properly listed on the web site for public scrutiny. My only comment from their examination was the comment noted earlier in my report and will be one of my recommendations.

VAT

Bingley Town Council currently applies for their VAT reimbursement annually. The last reimbursement was April 2017 and was for £2,608.30 which I found to be satisfactory.

Policies and Procedures

The Council's policies are up to date and as part of the policies discussion Ruth and I agreed that the Council required a Social Media Policy. The YLCA has started Digital training for staff and councillors and will in due course produce a template for this type of policy. Meanwhile local councils are being encouraged to compile their own policy and many proactive parish councils have already implemented them.

It is recommended that Bingley Town Council introduce a Social Media Policy, this will be a useful guide for both staff and councilors and will set the benchmark for future practice.

Conclusion and Recommendations

As highlighted earlier in this report I was disappointed to find a **significant audit finding** that Bingley Town Council has given monies to an external body without the proper use of its own approved financial procedures.

- It is strongly recommended that all monies given to all organisations should be given through the grant awarding process.

Other recommendations are;

- Councillors are reminded to ensure that their Register of Interests forms are regularly updated and they are mindful of their statutory responsibilities in adherence to their code of conduct.
- It is further recommended regarding the point above that councillors should attend Code of Conduct training.
- The use of the Multi-pay card is added to the Internal Controls process.
- The Council implement a Social Media Policy.
- To agree a donations policy limited to an agreed amount say £100 for local causes.

My next visit will take place at the year-end and I would like to thank Ruth for her help during the audit process.

Diane Brown Bingley Town Council Internal Auditor
29/10/2017