

Bingley Town Council Internal Audit Report mid-year 2021-22

Introduction

At the start of the audit there was a Zoom session with Eve Haskins, Clerk and Responsible Financial Officer (RFO) and Nicola Mansfield-Smith, Deputy Clerk. This was an excellent opportunity to discuss the current situation at Bingley Town Council and to scope the audit based on the agreed audit programme.

My role as your internal auditor is to ensure that there are robust controls in place which confirms that the council is functioning effectively.

Internal auditing is an independent, objective assurance activity designed to improve an organisations operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

For larger councils having at least one visit other than the year end one is good practice. I conduct two audits per year for Bingley Town Council, a year- end visit and a mid-year one. Simply having one audit at the year-end it not sufficient owing to the pressures of the completion of the Annual Governance and Accountability Return (AGAR). Having a mid-year audit is an opportunity to reflect on current processes and determine if any improvements can be made. Discussions can be centred around system improvements and can further strengthen, in my view, the relationship between auditor and auditee which benefits the organisation.

There have been staffing changes since the last audit, at that time Nicola had only been in post two weeks and Eve had yet to start. Eve has now started, and we started the audit off with an informative discussion about the challenges both Eve and Nicola were facing in their roles at the Town Council. We agreed that the scope of this audit would remain the same, but that consideration would be given to the future audit programme particularly as I am retiring in July 2022.

Mid- year Audit Programme

- Progress from the previous audit recommendations.
- Examination of the Council minutes since the last audit to determine activity which will include a discussion regarding challenges since the last audit.
- Register of interests and compliance with the Code of Conduct.
- VAT
- Ensuring robust financial controls are in operation
- Budgetary process
- Insurance
- Website
- Financial transaction testing since the last audit
- Salaries SLA and staff appraisals

The Audit

At the beginning of all audits there is a discussion concerning the implementation of the recommendations from the previous internal audit report. The notes from this discussion are in italics next to each recommendation.

Progress regarding previous Audit recommendations.

- Banking mandate to be available for the next audit. *It is a recurring theme at the current time in that dealing with all banks is frustrating. None of the organisations I audit are experiencing positive working relationships with their banks at the moment. It was agreed that an excerpt from the Council Minutes stating which councillors are banking signatories would suffice.*
- Internal Control documentation which notes the testing completed by Councillors to be available for the next audit. *This is being actioned and an improved Internal Controls Policy and checklist was approved at the October 2021 meeting. At this time only one councillor has been tasked with this responsibility and to ensure a good division of duties it needs to be two councillors.*

Examination of the council minutes since the last audit to determine activity and to make comments.

I examined the Council minutes on the website for the first half of the financial year April to September. I noted that the Financial Regulations, Standing Orders, and the Code of Conduct had all been updated.

I noted the changes in the banking Mandate and the resignation and co-option of councillors.

The Changing Places project continues to be challenging. The Council appear to have committed themselves to a project that they may not be able to afford. I understand that the Council is part of an overall bid to Bradford Council for Changing Places funding. If this bid is successful, the Council will receive £20k. This still leaves an affordability gap of upwards of £37.8k depending on the quotes received. If the project goes ahead there will be the future running costs of the facility to be included in the budget.

The external audit was completed without qualification and budget preparation work was underway for the calculation of the 2022/23 Precept.

All queries raised from the examination of the minutes were satisfactorily answered by Eve and Nicola.

VAT

The Rialtas Business Systems (RBS) accounting software calculates this from the invoice details input and collates it into a report. Vat was last actioned in August with a payment of £3058.98 received in September. I found this area to be satisfactory.

Register of Interests and compliance with the Code of Conduct

Bingley Town Council has 16 councillors, there are currently 15 in post and one vacancy which the Council can co-opt to. All 15 councillors have completed a Disclosure of Pecuniary Interests Form and all forms were on the Council website. The Code of Conduct was recently refreshed and discussed at the August 2021 Full Council meeting. I found this area to be satisfactory.

Ensuring robust financial controls are in operation

Regulation 6 of the Accounts and Audit Regulations requires that all authorities review the effectiveness of their systems of internal control. Having an effective auditor is part of that control but this is just part of the process. Regular reviews that are properly documented need to be completed.

This area has lapsed since I last completed an audit as the last internal control check was completed in February 2021. I noted in the October 2021 minutes that this was discussed and will be completed quarterly. The minutes stated that one councillor was agreed and to ensure a good division of duties it should be two.

Budgetary Process

Prior to speaking to Eve and Nicola I had noted in the Finance Committee October minutes that the budget had been discussed. It stated that a presentation would be made to the November meeting with two draft budget scenarios to reflect projects on the Council's Priority List and the Changing Places Project. Eve, Nicola, and I discussed the budget and early indications for the precept for 2022/23 was that it would be raised.

We also discussed the current Reserves Strategy and the need to update it. At the close of the last financial year the reserves totalled £200,925k. This included the Council's earmarked reserves and the General Reserve. Our discussion was centred around the Changing Places Project and how this could impact on the reserves. It was agreed that the general reserve would be investigated to ensure that it was viable. It is my view that it should include a calculation of at least 6 month's minimum working reserve.

Eve and Nicola are currently looking into how the reserves are accounted for by RBS. There are some differences which may take a little time to unravel, it would be expedient to discuss this further with RBS. Eve and Nicola both received training on the software at the start of their employment. Now that they are using it, it would be beneficial to have a further refresher course.

Unfortunately, at the start of any budgetary process there are always unknowns and this year there was the unfortunate situation of a motorist hitting the council office building. It is hoped that the remedial works will be paid for by insurance excepting of course for the £400 excess, but it is a case in point that Councils should always be prudent and not over stretch themselves.

Insurance

The Council uses the Local Government insurance specialist Came and Co (Gallaghers) for its insurance requirements. By doing so the council ensures value

for money and uses an insurance company used to dealing with government agencies.

Website

I found the website contained the information I needed to carry out my audit. My only comment is that the navigation is not as clear cut as many other Councils I audit, and this may be a good opportunity to look at other providers.

Financial transaction testing

Nicola provided me with the bank statements from April to September 2021. From the statements I chose a sample of invoices to scrutinise. Nicola provided me with scanned copies of the invoices which were for appropriate council expenditure. I did query one invoice. This was from Internal Audit Yorkshire and totalled £937.50 for assistance with year-end accounts and internal audit. I was surprised by both the description of the service given and the amount charged. As an auditor of 40 years plus of experience I do not need help nor was I given any, and as I charge £180 for 1.5 days including the report the comparison shows me to be excellent value for money!

In my view the Locum Clerk should have had the experience to complete the AGAR and as your appointed Internal Auditor I would have completed the audit as usual. In hindsight it would have been better if the Council had contacted me first to discuss this, as the first I knew of this was the zoom invite which included Internal Audit Yorkshire.

Hopefully, this will not happen again and consequently there is now a longer notice period of three months for staff which will enable an improved handover.

Another of the transactions sampled was an invoice for the service level agreement of salary payments from Bradford Community Payroll and Accounts. I had queried an invoice from them in my year-end sampling and Nicola is currently trying to bottom the charges made.

Eve sent me the September month end report from the RBS system which I was comprehensive and reconciled to the bank statements dated the 30th of September 2021 for £193,597.87

At the year-end there was £153,334 in the CCLA account and there has been no update regarding the investment since that date.

Salaries SLA and staff appraisals

There is an issue with the amounts charged by Bradford CPA which Nicola is resolving. It may be in the future that the SLA is delivered by an alternative supplier. Other than being charged incorrectly the SLA is working well.

On the appraisal front the Admin officer has had hers, Nicola's is planned for the 29th of November and Eve's is yet to be scheduled but I was assured that it was in hand.

Conclusion and Recommendations

Bingley Town Council continues to be a well-run Council and I did not find any significant issues. Eve and Nicola make a good team and I enjoyed working with them.

My recommendations from this audit are.

- Internal Control documentation which notes the testing completed by Councillors to be available for the next audit.
- Examination of the Reserves to ensure that the Minimum working Reserve is sufficient and the impact of any shortfall in the Changing Places Project is accounted for.
- Further RBS training for Eve and Nicola to ensure that the software is being fully utilised. As I said in the body of the report, further training would be sensible now that Eve and Nicola are in post and using the software.

I would like to thank Eve and Nicola for their help during the audit and I wish the Town Council all the best in the coming year. My next visit will be in May 2022, and it will be my last as I am retiring.

Diane Brown- Bingley Town Council Internal Auditor 17/11/2021