

Bingley Town Council Internal Audit Report Year-ending 31st March 2021

Introduction

Unfortunately, internal audits continue to be delivered remotely. The issues surrounding COVID-19 have not yet been fully resolved, I am hopeful though, that the mid-year audit for 2021/22 will be a physical one.

It is my view that the purpose of internal auditing remains the same whether its remote or site based. Councils being audited need to evidence that they are functioning effectively and that robust financial controls are in place.

Since my last audit in November 2020 there have been staffing changes at Bingley Town Council in that both the Clerk and Deputy Clerk have left. A new Deputy Clerk, Nicola Mansfield- Smith, was appointed two weeks ago and Eve Haskins has been appointed as Clerk but has yet to start. In the interim support is being provided by a locum Clerk Tracy Predeth.

Starting a new post at the year end is not a good time but having been the Internal Auditor for Bingley Town council since it started, I am confident that there are good systems of control in place. Ruth Batterley the previous Clerk was procedural, and risk focused, as an auditor, I admired her approach.

My previous audits have documented excellent financial record keeping and controls. In addition, the financial software in use, Rialtas Business Systems (RBS) is an effective one and has had a few years to embed into the financial processes. The financial year end closures in the past have been completed efficiently and I was hopeful that this year end would too.

Good operational systems properly implemented work well regardless of the staff involved but the impetus is on the Council to ensure effective controls continue to operate.

There is a corporate responsibility to ensure that internal systems are in place to ensure effective financial management.

There are three stages to a council audit,

- The internal control review process.
- An independent internal audit.
- The external audit as evidenced by the completion of the Annual Governance and Accountability Return (AGAR)

At the start of the audit there was a Zoom session with Nicola the newly appointed Deputy Clerk and Safia Kauser the Managing Director of Internal Audit Yorkshire. I was not aware that Safia was going to be at the Zoom meeting and in a subsequent email Tracy explained that Safia had been brought in to help populate the AGAR with the figures from the RBS year-end reports. The Council can have assurance that at this year end owing to the number of persons involved in the process that there has been the assurance of an increased division of duties.

I carry out two audits per year for Bingley Town Council, a year end visit and a mid-year one. The areas to be examined at this visit are listed below. The programme is only a guide and can be changed to suit the emerging needs of the Council. It was agreed that, owing to the staffing issues, that this would not be the usual audit. Nicola could not be expected in her short time in her new role to be able to provide all answers to any queries I may have. Everyone is entitled to a learning curve and it was agreed that this audit would focus on the year end process.

Year -End Visit

The areas agreed to be covered at the year-end audit are as follows,

- Progress regarding previous Audit recommendations.
- Examination of the council minutes since the last audit to determine activity and to make comments.
- Review of Financial Policies and Procedures.
- Review of the Asset Register.
- Ensuring robust controls remain in place.
- Financial transaction testing since the last audit.
- Completion of the Annual Governance and Accountability Return (AGAR)
- Identification of challenges to the Council since the last audit and if applicable legislative changes.

The Audit

Progress regarding previous Audit recommendations.

There was only one recommendation from my mid-year audit. This was that the internal controls document should always be completed in readiness for the audit visit. I noted from the examination of the Council Minutes that the Internal Controls had been reviewed by Councillors in February 2021.

In addition, I noted from the December 2020 minutes that the procedure to review the effectiveness of internal control and arrangements to protect public money had been reviewed, improved, and adopted.

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 second half of the financial year. The council meetings are being carried remotely which is ensuring that in these challenging times council business is continuing. I noted from the minutes that the Code of Conduct had been updated, that the floral displays were going out to tender, the draft budget for 2021/22 had been approved, the review of the Staffing Structure had been actioned and the Standing Orders and Financial Regulations had been reviewed. The banking mandate had also been updated. I did ask for a copy of this, but Tracy was unable to locate it. It will require updating again once Eve has started. The queries I had from the examination of the minutes were all satisfactorily answered by Nicola apart from one for the allotment issue mentioned in the minutes.

Financial Policies and Procedures.

I noted good practice in that the Standing Orders, Financial Regulations, Risk Assessment policies, Reserve Policies had all be reviewed and adopted. The Recruitment and Selection Policy had also been reviewed. I found this area to be satisfactory.

Whilst completing the audit, I received a query regarding the Financial Regulations and whether they are currently followed in the payments process. The payments process at Bingley Town Council, is that officers input the payments onto the system, and they are then authorised by one of the four councillors who are banking signatories. The payments are then released. At each meeting, the payments schedule is presented to the full council. The Council as a whole is responsible for the finances of the Council therefore, they must be aware of the transactions made, the resulting bank reconciliation and the budget. My view is that the current process follows that as described in the financial Regulations therefore I do not see the necessity for change.

Asset Register

I noted in the March 2021 minutes that the asset register had been discussed and approved. Last year the total assets for the Council totalled £50,929. This year the Council has purchased assets of £13,225 plus the Bingley Hub costing £255,548 which equates to a revised year-end total of £306,477.

Ensuring robust controls remain in place.

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. I have noted good practice at Bingley and there are two councillors that are assigned to the role of checking payments and procedures to ensure that they are correct. I noted that the process itself was recently reviewed with additional checks added.

The last internal control check was completed in February 2021.

Financial transaction testing

Nicola provided me with the bank statements from November 2020 to March 2021. From the statements I chose a sample of invoices to scrutinise. Nicola provided me with scanned copies of the invoices, and I found them to be for appropriate council expenditure.

One of the transactions sampled was an invoice for the service level agreement of salary payments from Bradford Community Payroll and Accounts. The invoice included an extra estimated amount because of staffing changes. An accurate bill was not available as the firm concerned were completing their year-end closure. Once the year end is complete, this area will require checking and I suggest that this transaction forms part of the control checks carried out by Councillors.

Nicola also sent me the year end output from the RBS system which I found to be comprehensive and reconciled to the bank statements dated the 31st of March 2021.

At the year end there was £153,334 in the CCLA account and £65,213.46 in the current account. The RBS output includes the information required for section 2 of the AGAR which is the statement of accounts and it is a seamless process to transfer these figures to the AGAR form.

Completion of the Annual Governance and Accountability Return (AGAR)

I noted that the AGAR of last year was on the website including the notice of the publication of the accounts for public inspection. There had been an issue with the scanning of the AGAR forms which Ruth had resolved. This is the first year that the council had had borrowings and Nicola scanned and emailed me the year end statement from the Public Works Loan Board for the repayments made in year and the amounts outstanding.

The AGAR year end process states that as your internal auditor I must ascertain that the control objectives were achieved throughout the financial year 2020/21. I found excellent audit trails for an effective accounting system in operation. I was therefore able to tick all areas of the Internal Audit page of the AGAR positively.

Challenges to the Council since the last audit and if applicable legislative changes.

The main challenge for the Council now is staffing. Staff will need time to familiarise themselves with the Council's operation. I found Nicola to be helpful and, in our discussion, she explained her background and experience. She was looking forward to Eve starting and working together to help Bingley Town Council continue to achieve its objectives.

Conclusion and Recommendations

Bingley Town Council continues to be a well-run Council and I did not find any significant issues. Owing to the current situation, the audit concentrated on the finances. I did not request the usual update regarding the current projects in hand.

My recommendations from this audit are.

- Banking mandate to be available for the next audit.
- Internal Control documentation which notes the testing completed by Councillors to be available for the next audit.

I would like to thank Nicola, Tracy and Safia their help during the audit and I wish the Town Council all the best in the coming year.

Diane Brown- Bingley Town Council Internal Auditor 01/06/2021