

Baildon Town Council Internal Audit Report Year-end 2021/22

Introduction

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 Baildon 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).

Since I visited the Council offices in October 2021 there have been staffing changes, the Clerk Louanna Winch has left and a new appointment has been made, Adrian Naylor. The Deputy Clerk has also left, and her replacement is now in post. Fortunately, the Responsible Financial Officer (RFO) Suzi Krupinski, remains in post, and this has enabled useful consistency for the year-end.

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.

Year -End Visit

- Progress on the previous audit recommendations.
- Examination of the Council minutes since the last audit to determine activity.
- Financial Policies and Procedures.
- Risk Assessment Update
- Ensuring robust financial controls remain in place.
- Financial transaction testing since the last audit
- VAT
- Asset Register
- Completion of the Annual Governance and Accountability Return (AGAR)

The Audit

Noted below are the recommendations from my previous audit and the actions taken by the council to implement them. The notes of action taken are in italics at the side of each recommendation.

- Ensuring the Complaints Policy is compliant with good practice and the Law. Advice should be obtained from the YLCA to ensure compliance. *This has been actioned. I spoke to Adrian about it, and he then sent me a copy of the advice which had been obtained from the YLCA. This was a detailed response and satisfactorily explained the situation.*
- Updating the Risk Assessment Policy. *Actioned.*

- Ensuring the Internal Controls procedure is completed before the auditor's visit. *Actioned.*
- Maximising interest on public funds held. *Not actioned, I discussed this issue with Suzi and Adrian, and noted their comments for the progression of this matter.*

Council Minutes

I read the minutes published on the website and from them I was able to note the progress made with the various on-going projects. The most pressing challenge remains the new offices. Progress has been made and it is hoped that the Council Offices will be in the former Baildon Club premises.

I noted the bank mandate changes and I requested a copy of the latest banking mandate which Suzi provided me with.

I noted the changes in staff and the revision of the Risk Management Policy and Risk Register which had been an audit recommendation from my previous audit. Two new Councillors have been co-opted and from reading the minutes the Council appears compliant with laws, regulations, and proper practices.

The queries I had noted from my examination of the minutes were satisfactorily answered by Suzi.

Financial Procedures and Policies

I examined the Council's website and noted that the Standing Orders had been revised in April 2020, the Financial Regulations in July 2021, and the Investment Strategy in July 2021. I found this are to be satisfactory as the fundamental policies of the Council were up to date.

Risk Assessment update

I noted at the last audit that the Risk assessment policy had not been updated since 2017. I am pleased to note that in 2021 it was revised and updated. This policy is fundamental to a Council's operation and should be refreshed at least annually. It should be a continual process that an organisation identifies and addresses the risks they face when delivering services to their Community.

Ensuring Robust Controls are in place

Ensuring that a Council maintains adequate and effective system of control systems is pivotal to its operation. One of these controls is that the Council employs an effective auditor the other is to ensure that it has a system of internal control which is designed to prevent and detect fraud and corruption. These controls should be checked at least twice a year and documented evidence should be given to the auditor during the internal audit process. This had not been in place for the last audit, but the Council had reviewed its controls twice since the last audit. I had noted this in my examination of the minutes and within the audit information provided for me by Suzi.

Financial transaction testing since the last audit

I was pleased to note that Suzi had worked with the financial software provider Edge to close the year 2021/22. I encourage Councils to do this as it provides another division of duties as an external body is ensuring that the accounts have been effectively managed. In addition, it saves time as Edge can complete the process quickly and can input any software changes.

At the year-end, the Council had £254,351.63 in its bank account and £17.68 in petty cash. As this is such a small amount the Council should consider whether it is required? These amounts were checked to the bank statement, the year-end reconciliation, summary trial balance and cash book. The net carry forward will be £259,020.07 when the year end assets and liabilities are taken in consideration.

As I noted at the last audit these substantial amounts of funds are not attracting interest. Interest rates are low, but a modest amount accrued would at least cover interest being charged by the bank. It is recommended that whenever possible the Council maximises the public funds it holds.

I noted that VAT claims had been actioned on a timely basis, the last claim of £9,335.62 had been received in February 2022. At the year end there was £3,607.93 of recoverable VAT to be actioned. I found this area to be satisfactory.

I examined the bank statements from November 2021 to the end of March 2022 and chose a sample of expenditure transactions for further investigation. Suzi provided me with the relevant invoices which were all for appropriate council expenditure.

Asset Register

I examined the asset register and found it fit for purpose. The amount noted in the register for the year-end is £48,355.

Completion of the Annual Governance and Accountability Return (AGAR)

I noted that the Council had correctly provided for the period for the exercise for the period for the exercise of public rights on the Council's website.

The External auditor had noted one matter within last years AGAR in that VAT had been improperly accounted for. I had noted and discussed this with the previous RFO and was pleased to note that Suzi was accounting for VAT correctly and that would not be an issue going forward.

As part of the audit process, I complete page 3 of the AGAR. This contains a listing of internal control objectives, and my audit determines if they have been achieved. I found a good accounting system in operation, and I was able to tick all areas of this page of the AGAR positively.

Conclusion and Recommendations

I found good systems of control within operation, and I consider Baildon Town Council to be an effective Council.

I only have one recommendation from this audit, which has been carried forward from my previous report.

- Maximising interest on public funds held.

This is my final audit for Baildon Town Council as I am retiring.

I would like to thank Suzi for her help throughout the audit and to thank Adrian for his considered responses to the previous audit recommendations.

I would also like to wish Baildon Town Council all the best for the future.

Diane Brown- Baildon Town Council Internal Auditor 28/04/2022