

## Baildon Town Council Internal Audit Report Mid -Year 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). 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.

The mid-year internal audit for Baildon was conducted face to face. Owing to the circumstances surrounding the Covid-19 pandemic the previous year's audits had been conducted remotely.

At the beginning of the audit the scope of the audit was discussed with the Town Clerk, Louanna Winch and Responsible Finance Officer Suzi Krupinski to ensure that it covers the essential areas requiring auditing.

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.

### Mid- year visit

- Progress from the previous audit recommendations.
- Examination of the Council minutes since the last audit to determine activity.
- Register of interests and compliance with the Code of Conduct.
- Budgetary process
- Insurance
- Website
- Financial transaction testing since the last audit
- Salaries SLA
- Staff Appraisals

### The Audit

Baildon Town Council was my first face to face audit for two years, so it was strange to be conducting audits face to face again. As is usual practice we started the audit with a discussion regarding my recommendations from the previous 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.

- Updating of Financial Regulations. *They were updated in July 2021. At the last audit I noted that the Standing Orders had been updated in July 2020 but needed renumbering.*
- Consideration of an investment strategy and reserve policy. *Both documents have been completed, however there has not been any action taken regarding investments and in the current account there are still monies totalling £330k without attracting accrued interest. This will be a recommendation going forward.*
- Updating the asset register to include more information. *This recommendation is being implemented but has yet to be fully completed.*
- VAT to be reclaimed quarterly. *Now actioned.*

### 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 which has been discussed previously was the search for new office premises which I understand has been resolved and at my next and final visit I hope to visit them.

I noted that the Council has made excellent progress with the revision of many of its policies. These included the Financial Regulations, Staff Expenses, Volunteers, Recording of Meetings, Community Infrastructure Banner Policies, Business Continuity Plan and Complaints Procedure.

My only comments regarding the revision were regarding the Complaints Procedure. There are two new insertions which I am not sure about, and the Council should ask the Yorkshire Local Councils Association for advice. One is that complaints should in the first instance be addressed informally and the other that where the complaint is made against the Clerk that the Deputy Clerk will be the main channel of communication. Firstly, I have reservations about the informal handling of complaints. A council's complaints procedure should require complaints to be submitted in writing otherwise it is not a complaint! In my view there is no such thing as an informal complaint. Secondly, any complaints against staff should follow the employment practices of the Council which are the Disciplinary and Grievance Procedures. When adapting templates of policies to individual councils it must be understood that there are some details within the templates that there are for statutory reasons and should not be changed.

I noted that the current Risk Assessment policy is dated 2017, Louanna and I had discussed the need to revise the Risk Assessment Policy at the previous audit. Although some consideration has been given to this area it remains outstanding. This is a pivotal policy that should be reviewed continuously to ensure that the management of risk is robust and fit for purpose.

## Register of Interests and compliance with the Code of Conduct

I was pleased to note that the Town Council had revised its Code of Conduct since I last examined this area. At the date of audit there were two vacancies for Councillors. All serving councillors have completed their Register of Interest Forms. I found this area to be satisfactory.

## Budgetary Process

I discussed the budget for 2022/23 with Louanna and Suzi and concluded that excellent progress was being made. Suzi has improved the budgetary process and has provided financial information for the Council which will improve their understanding of the budget and the calculation of the Precept going forward. Early indications of the Precept for 2022/23 is that it will remain at £304k. Suzi has produced financial forecasts going forward to 2024/25 which details the Council's financial future commitments and details the use of the Council's reserves. I found this to be an area of good practice and a satisfactory part of my audit examination.

## Insurance

The Town Council is now using the services of Came and Co, a broker who specialises in providing Local Government insurance. The firm obtains three competitive quotes on behalf of the Council and ensures that the chosen supplier is the best value for money. In using this service, the Council can be assured that this is an area compliant with best practice.

## Website

As part of the audit, I looked at the Council's website. It is user friendly and contained the information I needed to conduct the audit. Having an informative website will be a help in the journey with the process of applying to the Local Council Award Scheme. The application will consume a lot of officer time as the website will be judged on the quality and quantity of the information held. Once secured however it is a good benchmark of quality.

## Financial transaction testing since the last audit

The Council has now changed banks to Unity Bank, and I discussed the banking mandate and transaction process for payments with Louanna and Suzi which I concluded was operating effectively.

Unfortunately, the Internal Controls Process had not been completed in time for my visit although Suzi had tried to arrange its timely completion. The Council is reminded that this is part of the internal audit process. The Council must prove to its internal auditor that it maintained an adequate system of internal control, including measures designed to prevent and detect fraud, corruption and reviewed its effectiveness.

The Council is using the financial software Edge to manage the accounts which is working well. I examined the bank statements and the relevant bank reconciliations to the 30<sup>th</sup> of September. As of that date, there was £318,946.82 in the bank account. Although the Council now has an Investment strategy, the actions which need to be taken as detailed in the strategy have not been actioned and this large amount of funds is not attracting interest. Interest rates are low now, 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 the reclamation of VAT had been completed up until September 2021. I looked at the petty cash which the Council currently holds and checked the balance of £41.40 which was correct.

The Council is also in receipt of Civic Infrastructure Levy funds of £2,802.80 which will need adding to the reserves. There are expectations to the receipt of these funds that the Council will need to be aware and comply with.

### Salary SLA's and Appraisals

The Council has a Service level agreement with Bradford Community Payroll. It is working well and provides improved division of duties for payroll calculations when completed by an external provider.

As I noted at my last audit, the Council invested in an independent salary review and the recommendations have been completed. Louanna gave me an update on the appraisals process which was satisfactory.

There have been some recent staffing changes. The Deputy Clerk appointed earlier in the year has left but the post has been filled again by Katie Whitham who I met during the audit. Unfortunately, Louanna is leaving the Council and her post is currently being advertised.

### Conclusion and Recommendations

We continue to work through challenging times and in addition, Baildon Town Council faces its own challenges. Hopefully, the issue of the Town Council Office space has been resolved. Currently the council office is in the old library building which is not fit for purpose. It is unfortunate too that the use of the Library has declined as the current service is click and collect which has reduced its footfall. The Council remains in favour of having a library provision in the Town, so this continues to a challenge.

The resignation of Louanna is also an issue to overcome. The role of the Town Clerk is a pivotal one to a Council's operation. The post has been advertised and hopefully the Council will appoint a worthy candidate. Louanna has been in post whilst I have been the internal auditor and I have been impressed by her professionalism. I wish her all the best in her new role at Haxby Town Council.

The following is a list of recommendations from this audit.

- Ensuring the Complaints Policy is compliant with good practice and the Law. Advice should be obtained from the YLCA to ensure compliance.
- Updating the Risk Assessment Policy.
- Ensuring the Internal Controls procedure is completed before the auditor's visit.

- Maximising interest on public funds held.

The next audit will be for the end of the fiscal year 2021/22.  
This will be my final audit as I am retiring. I would like to thank Louanna and Suzi for their help during the audit and to wish Baildon Town Council all the best in the coming year.

Diane Brown- Baildon Town Council Internal Auditor 31/10/2021