

Internal Audit Report to Ilkley Parish Council

Date of Visit 11th of February 2016

Introduction

The purpose of an Internal Audit is to give management assurance that all is working well and that the current systems in operation are robust and fit for purpose.

A programme of audit examination was agreed at a previous meeting and this forms the basis of the work to be completed. This programme is not static and will be continually supplemented to address future challenges faced by the Parish Council.

At each audit I will list my previous recommendations in the current report and these will be the first items reviewed at the following audit. I was pleased to note that my report was considered and approved at the Parish Meeting held on the 3rd November 2015.

Recommendations from Internal Audit 28/09/2016

1. Writing up of Clare's appraisal- this has still to be completed, I would remind the PC that an appraisal is not binding till it has been formally agreed and signed by both parties.
2. Work shadowing for the financial aspects of Clare's role for Diane when convenient. I am pleased to note that this has started and Diane is completing certain financial tasks under Clare's guidance.
3. The start of the compilation of procedural notes when workloads permit. This process has now commenced and Clare will progress when she has the time.
4. Schedule of payments form to include prepared by for Clare's signature and certified by for the Chair's current signature. The bank reconciliation form should also be treated in the same way. This system improvement is now being implemented and further improves the robust financial controls in operation.
5. Bank Interest, this needs to be changed as soon as possible as the Yorkshire Bank have not advised the Parish Council correctly. This is currently being addressed with the current reserves account with Yorkshire Bank being changed to a current account and a new 30 day notice account for the reserves to be opened.
6. Consideration should be given to increasing the amount invested once an interest account has been re-opened. This is currently being considered and will be discussed at a future audit visit.
7. On line banking should be considered and a useful start would be to allow the Clerk to access the balances held for information purposes. The PC are to start the process of using On-line banking which has many benefits but needs improved controls , this will be discussed a future audit visit.
8. A system for budget virements to ensure that budgets are kept up to date and fit for purpose. I am pleased to note that there have been two budget virements since my last visit. Budgets must reflect the actual financial status of an organisation and therefore should be continually examined and virements made when appropriate.

The Audit 11/02/2016

Work Completed

1. Budget Preparation discussion – the year ahead.

Clare and I discussed the budget for 2016/17; I am pleased that Bradford Council is passing on to the PC the Council Tax Support Grant. Central Government have placed this grant within the Revenue support Grant which in theory means that all councils are able to spend this grant as they see fit and are not obliged in Law to pass it on. Ilkley have requested an increase in the precept of 9.79% which will result in a precept of £181,431, there will be increased challenges to the budget in 2016/17 mainly due to the cuts in services that Bradford Council has had to make. Ilkley will be taking over many of the services formerly provided by Bradford such as flower beds and grass cutting and therefore will need more funds. I am satisfied that the PC has carried out a careful and prudent process to ensure that they have the funds to carry out this work. This will be looked at further in my subsequent visits.

2. Preparation for the year end

Clare and I discussed the year end and work is in hand to ensure the closure of the financial year will go smoothly. Clare has arranged for RBS to visit the council offices on the 25th of May to guide her through the close down of the system. This is an excellent idea and will ensure that the year is closed down effectively. The budget virements which have already taken place will help to ensure that budgets are realistically set as the year end approaches. Clare has already started work on the yearend figures and has made notes as to the outturn. My next visit will incorporate the year end and the completion of the external audit Annual Return.

3. Risk Assessment discussion.

Unfortunately this is an increasingly important area for any organisation to tackle. The PC must look at all the services it delivers and ascertain which risks they are exposed to and how they can mitigate them. Many risks cannot be fully covered however a common sense approach and the documenting of action taken do help. It is not enough to have adequate insurance as this does not help avoid risk and claims have an expensive outcome with the subsequent increase in premiums and publicity. In addition as the PC start to deliver more services the risk exposure will increase. As this is such a high profile area there are training courses and events organised to help PC's. Zurich who the PC is currently insured with is a leader in this area and as I have been one of one of their courses I can recommend them. I found it useful in that it highlighted case histories from other councils who have had problems and how you can avoid the same pitfalls.

I examined the Risk Assessment document and found areas for improvement, the section which notes the risk posed by staff fraud actually has more control in practice than noted. One of your key controls is that you have robust procedures in place to prevent fraud. Reconciled bank statements are now brought to each meeting and these are evidenced and agreed and this therefore reduces this risk. Effective financial controls reduce risk and in my experience where fraud has been allowed to happen it has been simply due to Councillors not seeing bank reconciliations. Another area I discussed with Clare was the Jubilee lights and the consequences of vandalism; if someone was to swing on them then they would not be electrocuted as they have low voltage. This is a mitigation that controls this particular risk and should be noted. Any physical checks on the state of the lights should also be noted as this again mitigates the risk.

4. Legislative changes when appropriate.

Since my last visit I am pleased to note that Clare has qualified and the PC now has the General Power of Competence.

There are also changes to the external audit arrangements brought about by the Local Audit and Accountability Act 2014, every council now needs to make a decision on whether it will remain automatically opted in or out of the new Sector Led Body by the 31st of March 2016. All councils will be automatically opted in if they do not opt out, I certainly would not recommend opting out but I recommend that this should be discussed at the March PC meeting so that all councillors are aware of this.

On 17 December 2015, the Government confirmed that the 'referendum principles' which can trigger a referendum if there is an 'excessive' rise in council tax or precept (in England) will not apply to local (town, parish, village, neighbourhood and community) councils setting their precept for 2016/17. This is good news as it was felt that this would apply to parish councils, hopefully this will continue as I do not see precepts reducing as parish councils increase their workloads.

One of the parish councils I audit recently informed me that their bank requested the banking details of councillors. I queried this with the YCLA and found out that this was due to the Anti Money Laundering (AML) Directive and therefore, if your bank asks for additional details, don't be worried or surprised.

5. Sampling of transactions

This was not completed due to lack of time but will be completed at the yearend visit.

Other matters discussed at the audit

One matter that I would like to raise is the Local Council Award Scheme, the YCLA are not dealing with this on a timely basis. I understand that they are experiencing staffing problems and so are unable to adhere to their own deadlines. I understand that the PC has an extension till the 29th of February for the continuance of this scheme and would recommend that the YCLA are contacted prior to this date and reminded of their obligation.

The PC insurance is up for renewal shortly and it is good practice to obtain three quotes so that value for money is evidenced. Currently Zurich seems to be the cheapest but it is recommended that two other quotes are obtained to ensure that this is the case.

Conclusion

My next visit will be the year end and Clare has already made a good start to the process. I envisage that my visit will be timed for the end of May so that the Annual Return can be completed on time. The budgetary process for 2016/17 has been completed and the precept increase will hopefully be adequate for the challenges ahead. I am pleased that the banking issues are being addressed and the move to on-line banking will go ahead in the forthcoming year. Listed below are the recommendations not in order of importance but in the order of work completion.

- Writing up of Clare's appraisal.
- Risk assessment document to be updated as per my findings and increased consideration of future risks posed.
- Sector led Body external audit arrangements to be discussed at the March Council meeting.
- Be aware of the requirements of the money laundering prevention initiative, it may be a good idea to have as an agenda item.
- Local Council Award Scheme, remind the YCLA!
- Three quotes if possible for the forthcoming insurance.

I hope that this is satisfactory and I would like to thank Clare for her help.

Diane Brown
Internal Auditor Ilkley Parish Council