



MANAGEMENT IN CONFIDENCE  
**MALMESBURY TOWN**  
**COUNCIL**

**Draft Internal Audit Report FY 2017/2018**

[phallamaudit@gmail.com](mailto:phallamaudit@gmail.com)

## **EXECUTIVE SUMMARY**

### **Introduction**

1. The Internal Audit meets the statutory requirements set out in the Practitioners Guide by completing section 4 of the Guide and providing details of emerging issues through this report.

### **Scope**

2. The full scope of the audit is set out in Appendix 8 of the Practitioners Guide, 'A suggested approach to the internal audit testing'. The areas reviewed key controls to ensure that:

- Appropriate and robust systems are in place to manage Malmesbury Town Council (MTC) finances;
- There are proper financial instructions and delegations of authority in place;
- Proper bank reconciliations are in place;
- Transactions are correct with proper approvals;
- There are effective budgetary and financial information systems in place;
- There is an effective and efficient structure in place to ensure financial control;
- Assets are properly controlled; and
- Documentation is in good order.

3. We will also follow up the recommendations made in the 2016/17 report

### **AUDIT OPINION**

4. Overall the systems of control at Malmesbury Town Council are good. Transactions are properly authorised and there is adequate documentation in place. The financial system is now well established and provides accurate and detailed financial management information on a regular basis.

The basic financial controls are in place and the budgetary reports are now a well established and key tool for financial management. However we have noted that some key controls as set out in the Practitioners Guide are in place but are not really working as well as could be and are in effect simply there to meet statutory requirements. Specifically these apply to asset and risk management systems. There is no evidence of serious failings in control or risk of financial loss but it means that MTC is not being as efficient and effective in financial control as it could be.

## **KEY FINDINGS**

### **Accounting and Financial Regulations**

5. The financial system and controls are now well established and are working effectively. I checked three months income and expenditure transactions in their entirety and followed transactions from the approval through to the bank reconciliation. All transactions were correctly authorised and there is no evidence of inappropriate expenditure but I did note that some of the customs and practices long established at MTC might not be considered best practice. These include invoices sent to MTC staff home addresses and personal businesses and use of higher graded, and therefore expensive, staff to carry out mundane administrative tasks. These transactions were all legitimate and genuine and there is no evidence of an absence of authorization but nevertheless good governance needs to show that not only are financial practices technically correct but that they look that way.

6. The Payroll is well controlled and tax and national insurance payments are made accurately and on time.

7. There are regular and timely bank reconciliations carried out throughout the year. Last year I was informed that a move to on line banking is being considered. This has not yet happened but the change is now immanent. My observations therefore remain the same: namely that the main control and security considerations should be assessed and addressed in updated financial instructions. These need not be onerous but special care should be taken initially to ensure any new system is working effectively. Particularly with regard to separation of duties, i.e. commitment and approvals.

### **Risk Management**

8. I have commented on the use of risk management processes for a number of years and stated that this has become simply an administrative exercise. This has continued and I can see no evidence that the Risk Register is being used in any pro-active way to help manage MTC.

### **Budgetary Control and Financial Management Information**

9. There are monthly budget reports for each Council Committee. The overall Council financial position is reported to the Finance and Resources Committee. This enables Councilors and staff to have a timely and accurate picture of financial activity on which to base effective decision making. I did note that some £12000 of expenditure had been netted off in the accounts. This was because the funding came from other bodies and went through MTC's accounts. This is activity which MTC is involved in and concerns important local activity. To simply net the amounts off means that the activity is not recognized and means that it could seem that the Council is doing less than is actually the case. Unless there are valid accounting rules preventing this I would reflect this activity in the accounts.

### **Asset Management**

10. I was informed that the Asset Register has not been updated as I recommended last year with a review of asset values and so I recommend again that this should be done.

