



MANAGEMENT IN CONFIDENCE
MALMESBURY TOWN
COUNCIL

Draft Internal Audit Report FY 2015/2016

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 2014/15 report

AUDIT OPINION

4. Overall the systems of control at Malmesbury Town Council are good. All 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. I was not able to adequately review the Council assets and this is an area which should be reviewed more closely next

year. A full asset verification should be carried out by staff and reported to Council. While there is now a Risk Register in place it does not perform a useful purpose as currently configured and should be reviewed and updated.

KEY FINDINGS

Accounting and Financial Regulations

5. The financial system and controls are now well established and are working effectively. I checked several months income and expenditure transactions in their entirety and followed transactions from the approval through to the bank reconciliation. All transactions were correctly authorised.

6. The Council follow the rules set out in in the rules regulations and Acts of Parliament for Local Councils. Malmesbury Town Council has these set out in its own Standing Orders which have additional sections specifically dealing with the Town Councils requirements, for example which Committees are required.

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

8. There are regular and timely bank reconciliations carried out throughout the year

Risk Management

9. There is now a Risk Register in place. It has 39 risks divided into a number of categories: Governance, Strategic, Financial, Reputational and Compliance. None of these risks are scored as being serious. Reading the register it is clear that most risks are simply describing the effect of something not being done. For example if there was a lack of public consultation by the Council. This is in effect saying that there will be a problem or an issue if someone does not do what they are supposed to do. A risk register should identify those very specific risks which the organisation faces. For example, not there is a risk if the staff do not do their jobs properly, but, if a known fault in the roof is not addressed it will lead to significant expense. The register should address a real concerns and not hypothetical ones.

Budgetary Control and Financial Management Information

10. 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 decisions. I did note that there were five project accounts with budgets amounting £104k which by month 12 had had minimal expenditure of £3k. This is an area where better financial planning is needed. The positive point is that the current report highlights what has happened and allow Councilors to be informed about the financial position so that questions can be raised.

11. The total income received for 2015/16 according to the Month 12 Budget Report is £372k. There was an overall surplus in the year of £32k although it should be noted that there was virtually no spend of the project budgets of £104k. In financial planning for 2016/17 Council should establish whether or not full project expenditure would cause a Council budget deficit which would use up reserves.

Asset Management

12. We were not able to review the Asset Register and so are unable to make a judgement on the appropriateness of control over Council assets. Regular checks of assets should be carried out so the existence and security of the assets can be verified.