

REPORT TO THE POLICY & RESOURCES MEETING 10th JUNE 2014

MALMESBURY TOWN COUNCIL – ANNUAL RETURN FOR EXTERNAL AUDITOR YEAR ENDING 31 MARCH 2014

Please find attached the following information which will constitute our Annual Return:

- A - Annual Return – Section 1 Figures (**see note below**).
- B - Financial Year-End Bank Reconciliation.
- C - Explanation of Variances (above 15%).
- D - Reconciliation between boxes 7 and 8 (Section 1).
- E - Balance Sheet (showing details of Earmarked Reserves).

The Council also needs to provide explanations for any boxes marked 'No' in sections 2 and 4 of the Annual Return.

In addition, the Council has been asked to submit the following:

Copy of the notice advertising the date for the exercise of electors rights (hard copy to be submitted).

F - Copy of the Completion of Audit Notice.

Written confirmation that the 2013 audited Annual Return was made available to electors (The RFO will simply need to write a letter to this effect).

Minutes of the Meeting(s) when the Internal & External Auditors reports were discussed during the year ended 2014 (to be sent with Return).

Written confirmation that all issues raised in previous audit reports have been addressed (The RFO will need to write a letter outlining actions taken).

Also attached:

- G - Internal Audit report 2013-14
- H - External Audit Report 2012-13.

The Committee is asked to:

- Approve both the internal and external auditors' report with details of any actions that need to be taken.
- Review the effectiveness of the internal audit.
- Approve the appointment of the internal auditor for 2014-15.
- Approve the Annual Return for 2013-14.
- Give the Town Clerk instruction to provide explanations for any boxes marked 'No' in sections 2 and 4 of the Annual Return.

Note on Annual Return – Section 1 Figures:

Last year the 12/13 figures for boxes 2 & 3 were stated incorrectly as £361,758 and £138,384. This was due to including a grant receipt being included in the precept box.

We have been asked to correct or restate the 12/13 figures this year which are:

Box 2 £345,729 and Box 3 £154413.

The Annual Return Figures are generated by the Council's Omega Finance system. It has proved difficult to save this report in an amendable format, so last years' figures for boxes 2 & 3 appear as they were presented last year.

The hard copy which we submit will be amended to include the correct figures.

James Whittleton, Deputy Town Clerk.

EXPLANATION OF VARIANCES - PROFORMA

MALMESBURY TOWN COUNCIL - YEAR ENDING 31 MARCH 2014

Section 1	2012/2013 £	2013/2014 £	Variance (+/-) £ <i>Percentage Change</i>	Detailed Explanation of variance (with amounts £) <i>(NB where difference is +/- 15%)</i>
Box 2 Precept	345,729	317,320	-28,409 -8.22	N/a
Box 3 Other income	154,413	153,721	-692 -0.45	N/a
Box 4 Staff costs	194,641	178,488	-16,153 -8.30	N/a
Box 5 Loan interest/ capital	40,863	40,863	0 0.00	N/a
Box 6 Other payments	227,699	181,962	-45,737 -20.09	In 12/13 £4,875 was spent on Jubilee celebrations; an event not replicated in 13/14 Smaller amounts were spent on the following: Town Hall Maintenance £6330, Cinema Expenditure £3158 Training £1974, Office Equipment £2,000, Stationery & Office Consumables £1578, Professional Fees £2030
Box 7 Balances carried forward	369,976	439,704	69,728 18.85	Variation due to the decrease in 'other payments' detailed in Box 6, plus a decrease in staff costs. The decrease in staff costs can be attributed by the decision not to fill a post (Administrator) which was vacated and the decision to replace the Town Hall Events & Facilities Manager with a Town Hall Administrator - which has a smaller salary.
Box 8 Total cash & Investments	361,470	437,560	76,090 21.05	Variation due to reasons cited above in Box 7.
Box 9 Fixed assets & long term assets	8,202,404	8,202,404	0 0.00	N/a
Box 10 Total borrowings	577,644	562,950	-14,694 -2.54	N/a

Reconciliation between Box 7 and Box 8 in section 1 (year ended 31 March 2014)

MALMESBURY TOWN COUNCIL

There should only be a difference between Box 7 and Box 8 where the accounts have been prepared

on an income and expenditure basis and there have been year-end adjustments for debtors/prepayments and creditors/receipts in advance. Please provide details of the year-end adjustments, showing how the net difference between them is equal to the differences between Boxes 7 and 8.

Total of Box 7: Balances carried forward		£ Rounded £1	£ 439,704
Deduct:	Debtors	811	
	Vat recoverable	5,029	
			5,840
Deduct:	Payments made in advance (prepayments)	0	
			0
Total deductions			5,840
Add:	Creditors	1,206	
	Holding Deposits	-1,159	
	Accruals	3,649	
			3,696
Add:	Receipts in advance	0	
			0
Total additions			3,696
Total of Box 8: Total cash and investments (must agree to bank reconciliation)			437,560

Malmesbury Town Council

(ENGLAND'S OLDEST BOROUGH - CHARTER GRANTED 880)



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Malmesbury Town Council

Notice of Completion of Audit of Accounts for the Year Ended 31 March 2013

Audit Commission Act 1998 and Accounts & Audit (England) Regulation 2011

Notice is hereby given that the audit of accounts of the Council for the year ended 31 March 2013 has been completed. The financial statements relating to those accounts, containing the Auditor's opinion have been prepared and are available for inspection by local government electors for the area.

Inspection is available at Malmesbury Town Hall, Cross Hayes, Malmesbury, SN16 9BZ between the hours of 9am and 4:30pm Monday to Friday (tel 01666 822143).

Any local government elector for the area may make a copy of the financial statements or an extract of it.

Jeff Penfold
Town Clerk & Responsible Finance Officer

Management In Confidence
Malmesbury Town Council
Draft Internal Audit Report
March 2014
FY 2013/2014

EXECUTIVE SUMMARY

Introduction

1. The internal audit meets the statutory requirements set out in the Practitioners Guide 2003 (Governance and Accountability in Local Councils in England and Wales.)
2. The audit of the 20013/14 accounts was undertaken by Paul Hallam, a professionally qualified Internal Auditor (FCIIA – Fellow of the Chartered Institute of Internal Auditors UK).
3. The auditor would like to thank the Town Clerk and staff at MTC for their help and assistance during the audit. The audit fieldwork took place on March 6 2014.

Scope

4. The full scope of the audit is set out in Appendix 8 of the Practitioners Guide, 'A suggested approach to internal audit testing'. The areas reviewed key controls to ensure that
 - Appropriate and robust systems are in place to manage 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.
 - Documentation is in good order.
5. We will follow up the recommendations made in the 20013-14 report.
6. The formal Internal Audit responsibilities are to complete Section 4 of the Annual Return. The report gives further details of work carried out and makes suggestions and recommendations where appropriate to improve systems and internal controls.

AUDIT OPINION

7. We can give **assurance** over the systems of internal control. There are efficient and effective processes in place for all the major systems run by the Council. We found that all transactions tested were appropriately authorised with supporting documentation. The budgetary process in place gives the Town Council managers up to date and comprehensive information with which to monitor progress and to identify variances against plan and therefore take remedial action. There are a number of actions and recommendations which were raised last year and in previous years and which still apply.

KEY FINDINGS

8. The following sections are in the format suggested in Section 4 of the Annual Return. (Sections A-J)

Accounting

9. We checked over 20% of all the transactions for the 2013-14 (100+ transactions) and included in the sample was a check of every transaction during two separate months, from Month 1 to Month 11. The accounting processes are carried out efficiently and there are full records for all transactions with evidence of proper authorisation.

10. The VAT issue identified in 2010 remains unresolved. The amount owed to the HMRC is between £2/3K. We recommended that the Council should disclose this to the HMRC and understand that the Town Clerk has written to HMRC twice to declare the underpayment but have not received a response.

Recommendation 1 In my view the Council has acted responsibly and should await any instruction from HMRC

Risk Management

11. We have reported in every audit that there is no formal system of risk management in place. Good practice guidance for local government recommends good risk management and so our recommendation from previous years remain, that that a Risk Register should be set up. We understand that the Chair of the Policy and Resources Committee will assist in the preparation of the Risk Register going forward.

Recommendation 2 The recommendation is therefore the same as in previous years. As stated last year we would expect to be able to review a Risk Register during the next review.

Budgeting

12. The 2012-13 report went into detail about the need for more efficient and effective financial management information. A key issue is that a number of accounts had allocations based on history rather than a realistic estimate of expenditure. I understand that a more realistic budget setting exercise will be introduced in 2014-15. We did note that the preliminary 2014-15 budgets were more realistically set and that the balances on a number of accounts was not allocated to specific projects. It is important that these projects are also included in the overall budget reports and are reported on in the same way as existing budgets.
13. There will need to be a proper monitoring of all budgets to ensure that the new system is accurate and provides adequate control. I understand that the Council finance system does have the capacity to identify commitments and it is anticipated that this function will be used in 2014-15.

Recommendation 3 We strongly suggest that committed expenditure is regularly included in monthly financial management information and budgetary report.

Bank Reconciliations

14. Cash is regularly banked and the records are well kept and fully up to date. The bank accounts are regularly reconciled. The reconciliations are prepared by the Deputy Town Clerk. There is evidence that reconciliations are carried out regularly and are authorised appropriately.

Cash Management

15. No new accounts have been set up following last year's recommendation. MTC does have a current and deposit account with Lloyds Bank. There is a facility for automatic transfers between the two accounts.

Payroll

16. Timesheets used to back up salary payments in all cases where time worked is flexible and testing confirmed there were timesheets for all overtime worked and salaries based on hourly rates.

Asset Management

18. We recommended that a proper valuation be carried out. We understand that a valuation of the Mayors chain is planned for early in 2014-15. We understand that alterations in valuations are made through the Insurance Brokers.