



MANAGEMENT IN CONFIDENCE
MALMESBURY TOWN
COUNCIL

Draft Internal Audit Report FY 2016/2017

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 2015/16 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.

There are a number of areas where processes and systems have not been developed and could potentially be improved. I did review the Asset Register this year the figures should be recalculated as some items appear either incorrect or overvalued. Last year I reported that a Risk Register was in place but that it needed some work to become an effective management tool but there has been no action and the Register is not in use. I understand that on line banking could be introduced. If this occurs detailed instructions should be provided and management checks carried out. There also needs to be better financial management information made available for any ongoing projects..

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.

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. I was informed that a move to on line banking is being considered. 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

9. Last year I noted that there was a Risk Register in place. I suggested a number of improvements but the register has not yet been updated. There has been no action regarding the use of risk management by MTC and I think that the creation of the Risk Register has been seen as an end in itself rather than an integral part of management activity.

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 effective decision making. Last year I noted that note that there were five project accounts with budgets amounting £104k which by month 12 had had minimal expenditure of £3k. There appears to be no provision in 2016/17 for any project expenditure and this situation needs clarification. Is there no project expenditure planned, are there no projects or has the planned expenditure been subsumed into other budget centres? I recommended last year that project expenditure be assessed by MTC but there does not appear to be any provision for project expenditure this year..

Asset Management

12. Last year I was not able to review the Asset Register and so was unable to make a judgement on the appropriateness of control over Council assets. This year I did review the Asset Register. There are a number of issues with the Register as it is currently configured. Some figures were not included, for example the purchase price and others appeared to be a significant overvaluation. The values in the Asset Register should be reviewed and amended where necessary..