

MANAGEMENT IN CONFIDENCE

**MALMESBURY TOWN
COUNCIL**

**Internal Audit
Report FY 2021/22**

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.
2. I would like to thank the Town Clerk and the team for their help and assistance in producing this report. The team continue to work with the constraints due to the Covid 19 pandemic.

Scope

3. 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.

4. I also reviewed the recommendations made in the 2020/21 report.

AUDIT OPINION

5. I can repeat the findings of previous reports that the systems of basic accounting control at Malmesbury Town Council are in good working order. All transactions are properly authorised and there is adequate documentation in place. The process whereby systems that were in the process of being either further developed or introduced for the first time has continued. There are, as I have repeatedly stated in previous reports, systems, including, budgetary and management information, risk management, asset management and planning where the next stage of development is due. There is now a Town Clerk and Deputy Town Clerk in post. As we come out of the pandemic the elected members and the Town Hall staff need to work together to ensure that effective and efficient systems are put in place to drive the improvements needed by MTC. A major requirement is the development and acceptance of a new Business Plan to replace the 2018 -2021 Plan. No full and complete copy of the 2018-2021 Business Plan was available for review nor was there any documentary evidence of any new replacement plan in place. This is a serious weakness for MTC strategic planning and needs to be addressed.

KEY FINDINGS

Accounting and Financial Regulations

6. The financial system and controls are now well established and are working effectively. I checked a number of months income and expenditure transactions in their entirety and followed transactions from the approval through to the bank reconciliation. The primary control over transactions is now the automated on line banking system. The current Financial Regulations managing MTC financial control are dated 13 – 10 – 2009. These are clearly out of date taking no account of the now ubiquitous use of on-line banking. They also mention EEC regulations. I was shown how the controls work in practice and it is an efficient and effective system.

Recommendation 1. I recommended in last years report that the Financial Regulations need completely rewriting and updating to formalize the existing systems of control. This recommendation remains.

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.

Budgetary and Management Information and Strategic Planning.

9. In last years report I noted that a number of payments for ongoing contracts were on the high side. I recommended that all major contracts should be subject to regular review. This review should include not only where there are opportunities for changing suppliers but issues such as moving in house options. I suggest that such a review of contracts generally should be carried out.

10. Financial Management Information is provided by reports generated by the Rialtas, Omega Accounting system. This provides a breakdown of expenditure and income against various subheads and areas including special projects. This is an acceptable tool for monitoring financial performance on a month by month basis and can identify serious over and underspends as the year progresses.

11. More strategic planning is provided by the establishment of annual budgets within an existing Business Plan (BP). The current BP runs from 2018-2021. I was informed that a new BP is currently under development but best practice is that a new BP is informed by the existing one and is drafted and ready for use as the old one expires. This has clearly not happened. And MTC is managing with a BP that technically expired in May 2021.

12. I was unable to review the existing Business Plan. The only part that was originally available to review was Annex 5 which is simply a list of the Councils functions. There was no digital or hard copy to review. There was a copy of a report that reviewed the Plan but no sight of the plan itself. It is difficult to properly run the MTC without such a plan in place.

13. Following the review a number of additional documents were produced. These amounted to a number of other annexes setting out the roles and responsibilities rather than a plan that identifies the major issues specific to Malmesbury. A Business Plan could and should address such strategic of the tasks that MTC or indeed any Town Council need to carry out to fulfil its legal obligations. An on-going issue is the question of dealing with the large surplus that MTC has in its deposit account, circa £400,000. This is a huge sum which could, as part of a fully thought through Business Plan, be transformational for Malmesbury.

Recommendation 2. The creation of a new plan to replace the 2018 – 2021 Business Plan should be a priority for the Council. The plan should identify and address the major issues facing MTC, for example specifically how best to use the large financial surplus.

Risk Management

14. In the 2019-2020 and 2020 – 2021 reports I noted that while the Risk Register had been updated and risks identified there was still work needed to make it an effective tool for MTC Councilors to use. It is still a list of some 35 risks in no real order of precedence. It does seem surprising that in the middle of a pandemic which severely stretches local government resources and capabilities all the risks are managed down to a 'green' status. The process whereby the Register comprises every risk that can be thought of is fine as a starting point to get the process going but unless refined this approach does not produce a useable document.

Recommendation 3. The Risk Register should be updated to make it a useable and relevant document for MTC Councilors to use by concentrating of a small number of significant risks.