

MANAGEMENT IN CONFIDENCE
**MALMESBURY TOWN
COUNCIL**

Internal Audit Report FY

2020/21

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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 Acting Town Clerk and the team for their help in producing this report. This was especially noticeable in the way in which the team was able to work and provide assistance during the restrictions caused by 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. We will also follow up the recommendations made in the 2019/20 report.

5. This was the first full year that the work of the former Joint Burial Committee (JBC) has been fully subsumed into the MTC administration, (see Paragraph 17).

AUDIT OPINION

6. I can repeat the findings of last year in that the systems of 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. The quality of information has continued to be of high quality. There are, as before, examples where embryonic systems such as budgetary and management information, risk management, asset management and planning systems where the next stage of development is due. I have made recommendations but this is with the proviso that I understand the constraints MTC is working with during the pandemic. This further exacerbated by the resignation of the Town Clerk (who will leave post in March 2021 and was not present during the audit) who led the development of a number of these systems.

KEY FINDINGS

Accounting and Financial Regulations

7. The financial system and controls are now well established and are working effectively. I checked four months income and expenditure transactions in their entirety and followed transactions from the approval through to the bank reconciliation. All transactions were authorized but there was an issue with the separation of commitments and approvals on the hard copy invoices and supporting vouchers. On these hard copies the Deputy Town Clerk both commits and authorizes each transaction. The separation of duties necessary for financial control is established when two of the four Town Councilors who can authorize transactions do so using the on-line Banking system. The nominated Councilors will authorize a number of transactions , usually on one day using an off system spreadsheet with a summary of the transactions to be approved.

Recommendation 1 . Councilors providing formal authorization should review and sign original payment vouchers on a regular basis to ensure that the transactions are correct. I understand that this could be time consuming at the moment and checking a selection of original and significant transactions could be one option.

8. 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. Lat year the Town Clerk recognizes that the updating of the Financial Regulations was needed and I expected this to have been completed by the time of this Audit Review. This remains outstanding and when life returns to normal (and the appointment of a new Town Clerk normally provides a suitable time) will be an action MTC needs to complete.

9. In reviewing the transactions for 2020/21 I noted a number of payments for ongoing contracts, for automatic door maintenance, cleaning , software support amongst others. I have noticed carrying out this audit regularly that the monthly costs have not changed and seem to me on the high side. This might not be the case but there is an opportunity to review ongoing contracts to ensure MTC is receiving value for money.

Recommendation 2. 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.

Recommendation 3. The updating of the Financial Standing Orders should be one of the initial tasks for the incoming Town Clerk.

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

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

Risk Management

12. In the 2019-2020 report 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. In addition it does seem surprising that in the middle of a pandemic which severely stretches local government resources and capabilities all the risks are considered to be managed down to a 'green' status.

Recommendation 4. 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.

Budgetary Control and Financial Management Information

13. There are monthly budget reports for each Council Committee. The overall Council financial position is reported to the Policy and Resources Committee (P and R). The budget figures for next year are submitted to committee in October which enables Councilors and staff to have a timely and accurate picture of financial activity on which to base decisions.

14. I simply repeat the comment I made last year, 'MTC still holds significant reserves in excess of half a million. This is one reason why funds are allocated against items on the Asset Register, to ensure that it appears as though here are plans and projects in place to utilize these reserves. There are a few projects in the pipeline such as the revamped public toilets, which should use about 10% of the reserves. I suggest that a more formal strategic review of way MTC could utilize these reserves would be a useful exercise for next year.'

15. I should point out that during 2020, a significant investment, 60k, was made from the reserves to update the Lodge at the Tetbury Hill Cemetery. This kind of sizeable investment should be part of a strategic plan.

In reviewing both the Operational Plan for 2020 and the MTC Business Plan 2018-21 there was a noticeable absence of strategic plans and objectives that could, in particular, relate to the potential use of the strategic reserve. The risk of not having a strategic vision is twofold, firstly the reserve could be frittered away on items that with better financial planning could be serviced through existing operational budgets and, secondly, the funding could be taken away.

Recommendation. 5 MTC should review the strategic options for the Strategic Reserve. The ideal opportunity would be when producing the next Business Plan.

Asset Management

16. This year I was able to review the Asset Register in detail. It is an improved document (spreadsheet) which is also used for some strategic financial planning. I stated last year that linking the Asset Register to strategic planning was not necessarily the best way to go but as a tool for managing assets it is a comprehensive and useful document.

Burial Committee

17. In the 2019-2020 report I noted that it was not clear whether the Burial Committee activity was generating a surplus or loss. In reviewing the budgets for the current year it is still not clear. This partly because the costs of updating the Lodge at the Cemetery and the general improvements and all collected together so it is difficult to evaluate the operational viability of the service.

Recommendation 6. Going forward the project costs can be part of a Cemetery Business Plan but the operational viability should be assessed separately.