

MANAGEMENT IN CONFIDENCE
**MALMESBURY TOWN
COUNCIL**

**Internal Audit
Report FY 2022/23**

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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 Town Clerk and the team for their help and assistance in producing this report.

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 2021/22 report.

AUDIT OPINION

5. The overall findings of this years report mirror those of previous years. The control of the accounts and budgets is sound. Transactions are properly accounted for and correctly authorized. The financial management information is made available to the elected representatives (Council members) on a monthly basis. Salaries are properly calculated and paid and bank accounts correctly reconciled. The estate is managed proactively and I noted the introduction of much needed new seating for the showing of films at the town hall, a hoped for source of significant future revenue. The major issues facing MTC remain the same. The systems in place need to be supported by an appropriate Business Plan. As stated last year there is no Business Plan in place. There is a list of tasks that a town council needs to perform and together with the roles and responsibilities that have to be carried out. There is no Business Plan that sets out exactly what the Council plans to do over the coming few yew years, what the priorities are for Malmesbury, what the challenges are for the town and how the MTC intends to meet them.

There is a Risk Management strategy which sets out how risks should be managed but this has, again, not been developed into a risk plan with a Risk Register identifying specifically the risks MTC faces and the mitigating actions needed to manage those risks.

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 reiterate last years recommendation that the Financial Regulations need updating to formalize the existing systems of control.

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 and I recommended that all major contracts should be subject to regular review. I was informed that such a review was now imminent. This review should include opportunities for changing suppliers and options including moving services in-house.

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 effective tool for monitoring financial performance on a month by month basis and can identify serious over and underspends as the year progresses.

11. The comments made last year remain relevant. The current Business Plan (BP) runs from 2018-2021. I was informed that a new BP is still under development. 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 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.

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 tasks that MTC need to carry out to fulfil its legal obligations. I stated last year that an on-going issue is the large surplus that MTC has in its deposit account, circa £400,000. It may be in the current difficult financial climate the Council might wish to have a large surplus as a simple hedge against future losses of revenue.

Recommendation 2. The recommendation made last year remains, namely the development of a new Business Plan to replace the 2018 – 2021 plan. The plan should identify and address the major issues facing MTC, for example how best to utilise the financial surplus currently held on deposit.

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 risks in no real order of precedence. 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. I simply restate last years recommendation that 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.