
Malmesbury Town Council

Internal Audit Report: 2024-25

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Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2024-25 financial year both at our offices and subsequently on site on 7th and 12th May 2025.

Internal Audit Approach

In conducting our review for 2024-25 and in accordance with the requirements of the IA Certificate in the AGAR and the latest edition of "The Practitioner's Guide", we have paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. This being the first year of our appointment, we have discussed detail of the financial controls in place over various income and expenditure systems with the Council's officers and, given the size of the Council, consider them appropriate for their present needs.

Based on the operative controls, we have determined an appropriate review and testing strategy, whilst also having regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is also designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'IA Certificate' in the Council's AGAR, which requires independent assurance over several internal control objectives.

Overall Conclusion

We are pleased to acknowledge the overall effectiveness of the accounting arrangements in place with effective segregation of duties operative where appropriate. We thank the Clerk and her staff for their assistance in progressing the year's review with all requested documentation provided in either electronic or hard copy format.

We have identified a few areas where we consider controls could and should be further strengthened particularly regarding members demonstrating their involvement and the effective fulfilment of their fiduciary responsibilities.

Based on the generally satisfactory conclusions drawn from our work programme for the year, we have signed off the IA Certificate in the Form 3 AGAR assigning positive assurances in each relevant area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council's accounting records are maintained using the Rialtas Omega software with a Current and Deposit account in place with Lloyds, transaction detail being recorded in a single cashbook in the Omega accounts. A separate account holding surplus funds is also in place with Close Bros with interest added to the account once annually.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To meet that objective, we have: -

- Verified that the financial ledgers remain "in balance" at the financial year-end;
- Verified detail in the Council's combined Current & Deposit a/c cashbooks for April & September 2024 plus January and March 2025 by reference to the relevant bank statements, including the daily inter-account transfers;
- Similarly checked and agreed detail through the Close Bros statements for the financial year;
- Verified the accuracy of detail in bank reconciliations as of 30th April and September 2024 and 31st January and March 2025 on the accounts; and
- Ensured the accurate disclosure of the account balances in the AGAR, Section 2 at Box 8.

Conclusions and recommendation

We are pleased to record that no significant issues have been identified in this review area, although we note that, whilst bank reconciliations are prepared monthly, they do not appear to have been effectively subjected to periodic independent review and sign off by a nominated councillor as is required by the Council's adopted Financial Regulations (FRs) (Para 2.6 refers).

R1. In accordance with best practice and the requirements of the current NALC model & Council's own Financial Regulations, a nominated councillor should review and sign-off the bank reconciliations at least quarterly during the year: hard copies of the signed documents should be retained on file for audit examination.

Review of Corporate Governance & Regulatory Framework

Our objective here is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially ultra vires nature have been or are being considered for implementation.

We note that the Council has adopted SOs and FRs in line with the NALC model documents and have reviewed the resultant documents and consider them appropriate for the Council's present requirements. We also take this opportunity to draw the Council and its officers' attention to the very recently published further revision to both the NALC model SOs and FRs and suggest that the Council uses them as a basis for their own documentation when it is next reviewed.

We have reviewed the Council and Standing Committee minutes, excluding those pertaining to planning matters, as posted on the Council's website to ensure that the Council has neither considered

nor is taking any actions that may result in ultra vires expenditure being incurred and are pleased to report that no such issues have been identified during the year.

We note that the external auditors signed off the 2023-24 AGAR with reference to a few issues, none of which we are pleased to record affect completion of the 2024-25 AGAR governance and financial statements. We are pleased to note the appropriate posting of the 2023-24 Notice of Public Rights on the Council's website for the requisite 30 working days.

Conclusions

We are pleased to record that no areas of concern have been identified in this review area, although as above, we suggest that, when next reviewing the extant SOs and FRs they are brought into line with the recently published NALC model documents tailored to the Council's local circumstances.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the approved procedures and budgets;
- Payments are appropriately supported, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and / or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have discussed with the Clerk and her Deputy the procedures in place for the processing, approval and authorisation for release of expenditure with virtually all payments paid online. We have selected a sample of payments processed throughout the financial year reviewing them by reference to the retained hard copies noting the attachment of a summary sheet to each payment incorporating a raft of information. Our test sample comprises 96 individual payments totalling £466,275 equating to 62% by value of non-pay related payments in the year with all the above criteria appropriately met.

Whilst we note that members are presented with schedules of payments to be released, neither the invoices nor the attached sheets are signed off by the reviewing members. We also note that the invoices, whilst generally filed in payment date order, do not contain any reference numbers. To simplify the task of identifying and tracing invoices in the event of any query arising subsequent to their payment, we suggest that each payment throughout the year is allocated a sequential number to be recorded on either the invoice or attached sheet: those numbers should be similarly recorded in the Omega accounts when the transaction detail is recorded entering the numbers in the appropriate space as though they were cheque numbers.

We note that the 2023-24 year-end and subsequent quarterly VAT reclaims for 2024-25 have been appropriately prepared, submitted and repaid by HMRC, detail of which we have agreed to the Omega nominal control account, excepting that for the quarter ended 31st March 2025 as regards receipt of the funds.

Conclusions and recommendations

We consider that the controls in place over the approval of payments for release could and should be strengthened with councillors evidencing their review of the invoices / attached documents to effectively demonstrate the effective discharge of their fiduciary responsibilities. We also urge that invoices processed during the year are allocated sequential reference numbers, those number being recorded both on the invoice / covering document and in the Omega cashbooks as though they were a cheque number.

R2. When councillors review payment documentation they should sign or initial the documents as evidence of their review and approval of the payments thereby effectively demonstrating the discharge of their fiduciary responsibilities.

R3. Payment documentation should be allocated sequential numbers when they are processed to provide an effective means of cross-referencing, ease of identification in the files of retained documents with those numbers also recorded in the Omega accounts as though they were a cheque number.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition.

We are pleased to note that the Council has prepared and adopted in October 2024 both a Risk Management Policy and detailed Risk Management Scheme, the latter document incorporating an assessment of the potential likelihood of the risk materialising and the impact should that eventuality occur. We have examined the documents and consider them appropriate for the Council's present needs.

We have also examined the Council's 2024-25 insurance policy arranged with Aviva through James Hallam with cover in place for Council premises, property and equipment, together with Public and Employer's Liability cover both in place at £10 million and Fidelity Guarantee (FG) cover set at £250,000, together with Business interruption – Loss of revenue cover of £260,332 all of which we consider appropriate to the Council's present requirements, although with total retained funds in excess of £500,000 we suggest that the FG cover be increased accordingly.

Conclusions and recommendation

We are pleased to record that no significant concerns arise in this area, although, as indicated above, we recommend that the level of FG cover be increased to a more appropriate level (the former Audit Commission used to recommend that this cover be set at the year-end balance plus a half-year's precept). We shall continue to review the Council's approach to risk management at future review visits reporting our conclusions accordingly.

R4. Consideration should be given to increasing the level of Fidelity Guarantee insurance cover to, as a minimum, equate to the total value of retained funds.

Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from Wiltshire Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note that the Council has finalised its formal deliberation and determination of the 2025-26 budget and precept requirements noting that both were approved and adopted at the January 2025 full Council meeting with the latter set at £572,454.

We also note that members of the Finance and Governance Committee receive periodic budget and other financial reports during the year based on the Omega accounting software. We have examined the year-end Omega generated budget report seeking and obtaining explanations for the few existing significant variances that arose by reference to detail in the underlying Omega nominal account code transaction reports with none requiring further enquiry. Total income at the year-end stands at 138% of the approved budget, whilst expenditure stands at 134%, neither of which give cause for concern with a net excess of income over expenditure for the year of almost £24,000.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Review of Income

Our objective in this area is to ensure that the Council identifies all income to which it is entitled and has appropriate arrangements in place to ensure its prompt recovery. The Council receives income from a wide variety of areas in addition to the annual precept, including CIL moneys, recoverable VAT, burial fees, various leases, Friday market, cinema ticket and bar sales.

We have examined the controls in place over the recovery of burial and associated fees, including memorials, selecting a sample of 12 interments during the financial year to 31st December 2024 ensuring that the appropriate fees have been charged and recovered within a reasonable time span and that the requisite burial and / or cremation certificates were held in each case. We are pleased to acknowledge the quality of documentation held for each interment with appropriate cross-referencing to the formal Burial Register and dates of settlement of the fees due with no issues arising.

We have examined the detailed Omega income reports for the year ensuring as far as we are reasonably able that income due to the Council has been received and coded appropriately to the correct budget heading. In that respect we have focused our attention on the recovery of rents due on the various leases in place together with examining income arising from the Friday market stall fees with no issues arising in these areas.

We have also examined the Omega Sales Ledger – “Unpaid invoices by date” report noting that 18 accounts were three or more months overdue for settlement at the financial year-end, 8 of which were raised prior to 30th June 2024. We also note that the oldest, dated 20th March 2024, is for 1p and suggest that this is written off and cleared from the Sales ledger accordingly.

Conclusions and recommendation

We are pleased to record that no significant issues arise in this area although, as above, we urge that appropriate action is taken to ensure recovery of the few long standing unpaid invoices.

R5. Action should be taken to ensure recovery of the few long-standing debts, with that for 1p being written off.

Petty Cash Account

The Council operates a petty cash account through the Omega cashbook with only a limited number of transactions occurring in the latter stages of the financial year. Consequently, we have examined those recorded in the cashbook since 1st October 2024 to the financial year-end. As we were only appointed at the close in March 2025, we did not have an opportunity to review and verify the physical petty cash account holding during the course of the financial year. Consequently, we have checked the physical cash at our visit on 12th May 2025 agreeing the holding to the supporting Omega cashbook detail at the close of April 2025 with no subsequent cash expenses occurring.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI deductions / Council contributions and similarly to the LG Pension Fund.

The Council uses appropriate software to prepare the monthly payroll which generates payslips and all other relevant documentation to facilitate payments to individuals, HMRC and the Pension Fund Administrators. We have for each employee:

- Reviewed the gross salaries paid to all staff in post in two months of the year including that where the national pay award for 2024-25 was implemented together with arrears backdated to 1st April 2024 by reference to the Council's approved spinal NJC Scale points and contracted weekly hours for each employee;
- Checked and agreed the gross salaries payable for the same two months including the backdated arrears;
- Checked, by reference to the relevant HMRC tax and NI tables, that deductions have been made appropriately in accordance with the individuals' tax codes and NI Table contributions in both months;
- Checked to ensure that the appropriate pension deductions / contributions have also been calculated for those months for each staff member contributing to the LG Pension Fund; and
- Ensured the accurate payment of staff net salaries for the two months, together with payments to HMRC and the Pension Fund administrators based on the supporting payslips and generated payment advice detail.

Conclusions

We are pleased to report that no issues have been identified in this review area warranting formal comment or recommendation.

Fixed Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to note the existence and maintenance of an appropriate asset register, with detail of the Council's asset stock duly recorded including the cost price net of VAT. We have reviewed the associated document ensuring that the register's total asset value is appropriately and accurately recorded in the AGAR Section 2 at Box 9.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation this year.

Investments and Loans

We aim here to ensure that the Council is maximising its interest earning potential through the "investment / deposit" of surplus funds in appropriate banking institutions. As recorded earlier in this report, the Council has placed surplus funds with Close Bros with interest added to the account once annually. We also note that a formal Investment Policy indicating that the Clerk in conjunction with councillors is authorised to spread investments to appropriate banking institutions.

With over £400,000 on deposit with Lloyds the Council is at a potential risk of loss should the bank fail with the Government's compensation scheme only guaranteeing payment of up to £85,000 should that happen. Consequently, we urge that consideration is given to the diversification of funds across other banking institutions. Whilst we cannot act as financial advisors, a number of our clients have been placing surplus funds with bodies such as the CCLA – Public Sector Deposit Fund, the Hampshire Bank and Cambridge and Counties Building Society with appropriate rates of interest being received on their deposits.

The Council has two loans in place repayable half yearly to the PWLB: we have checked the year's two repayments as part of our above expenditure review test sample and have now also verified the accurate disclosure of the residual loan liability to the PWLB year-end "audit" statement ensuring its accurate disclosure in the AGAR at Section 2 at Box 10.

Conclusions and recommendation

We are pleased to record that no significant issues arise in this area, although we suggest that consideration be given to the diversification of surplus funds.

R6. To help ensure the security of the Council's surplus funds, consideration should be given to placement of the funds in further banking institutions.

Statement of Accounts and AGAR

The Council's year-end Statement of Accounts, including the Balance Sheet and Income and Expenditure Account, together with financial detail for inclusion at Section 2 of the year's AGAR are generated automatically by the Omega accounting software.

Conclusions

We are pleased to record that no issues arise in this area and we have duly signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area. We ask that we be provided with copies of the certified Sections 1 & 2 once formally adopted by the Council.

Rec. No	Recommendation	Response
Review of Accounting Records and Bank Reconciliations		
R1	In accordance with best practice and the requirements of the current NALC model / Council's own Financial Regulations, a nominated councillor should review and sign-off the bank reconciliations at least quarterly during the year: hard copies of the signed documents should be retained on file for audit examination. In accordance with best practice and the requirements of the current NALC model / Council's own Financial Regulations, a nominated councillor should review and sign-off the bank reconciliations at least quarterly during the year: hard copies of the signed documents should be retained on file for audit examination.	
Review of Expenditure & VAT		
R2	When councillors review payment documentation they should sign or initial the documents as evidence of their review and approval of the payments thereby effectively demonstrating the discharge of their fiduciary responsibilities.	
R3	Payment documentation should be allocated sequential numbers when they are processed to provide an effective means of cross-referencing, ease of identification in the files of retained documents with those numbers also recorded in the Omega accounts as though they were a cheque number.	
Assessment and Management of Risk		
R4	Consideration should be given to increasing the level of Fidelity Guarantee insurance cover to, as a minimum, equate to the total value of retained funds.	
Review of Income		
R5	Action should be taken to ensure recovery of the few long-standing debts, with that for 1p being written off.	
Investments and Loans		
R6	To help ensure the security of the Council's surplus funds, consideration should be given to placement of the funds in further banking institutions.	