

Malmesbury Town Council

Internal Audit Report: Final update 2025-26

Stuart J Pollard

*Director
Auditing Solutions Ltd*

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 2025-26 financial year both at our offices in advance of and subsequent to our on-site visits on 30th October 2025 and 1st May 2026.

Internal Audit Approach

In conducting our review for 2025-26 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. We discussed detail of the financial controls in place over various income and expenditure systems with the Council’s officers during our 2024-25 visits and considered them generally appropriate for their present needs: we note that they continue in operation.

Based on the operative controls, we have again determined an appropriate review and testing strategy, whilst also having regard to the materiality of transactions and their susceptibility to potential mis-recording 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.

At this final review, we have discussed the Council’s current status in regard to the new, for 2025-26, Assertion 10 in the AGAR Governance Statement noting that, whilst significant progress has been made, the Council is not yet in a position to provide a positive response to the assertion for 2025-26. We will, consequently, also have to give a negative response at Box “O” of the year’s IA Certificate.

Overall Conclusion

We are again pleased to acknowledge the overall general 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.

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

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 was in place with Close Bros at the start of the financial year: this account was closed on 30th April 2025 with the residual balance transferred to the Lloyds current account and £500,000 initially deposited with the CCLA Public Sector Deposit Fund (PSDF) in August 2025. A further £200,000 has been transferred to the accounts during the year with resultant significantly increased interest now being paid automatically into the Lloyds current account each month.

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 2025, Plus January and March 2026 by reference to the supporting bank statements, including the inter-account transfers;
- Similarly verified the accurate recording of the closure of the Close Bros account and recording of the opening deposit in the PSDF account; and
- Verified the accuracy of detail in bank reconciliations on 30th April and September 2025, plus 31st January and March 2026.

We are pleased to note that bank reconciliations are now being reviewed and signed off by a councillor.

Conclusions and recommendation

We are pleased to record that no significant issues have been identified in this review area other than to restate our prior year recommendation in relation to the need for a nominated councillor to review and sign-off bank reconciliations ideally as a minimum once quarterly during the financial year in line with best practice.

- R1. In accordance with best practice, a nominated councillor should review and sign-off the bank reconciliations and supporting month-end bank statement(s) at least quarterly during the year with hard copies of the signed documents retained on file for audit examination. **This has been actioned appropriately with reconciliations reviewed and signed off.***

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 revised SOs and FRs in line with the relatively recently updated NALC model documents and have reviewed the resultant documents and consider them appropriate for the Council's present requirements.

We have reviewed the Council and Standing Committee minutes for the financial year, 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.

We are pleased to now note that the external auditors have issued a final certificate on the 2024-25 AGAR with no issues highlighted. We are pleased to note the appropriate posting of the 2024-25 Notice of Public Rights on the Council's website for the requisite 30 working days.

We have discussed with the Clerk the Council's status in relation to the new Assertion 10 in the 2025-26 AGAR Governance Statement relating to, inter alia, compliance with GDPR and other website disclosure and security requirements. We are pleased to note the positive action already taken and continuing to ensure full compliance noting that the Council does not consider itself sufficiently advanced with the process to give a positive response to the assertion for 2025-26: we will, consequently, also have to provide a negative response at Box "O" of the year's IA Certificate.

Conclusions

We are pleased to record that no areas of concern have been identified in this review area, although, as indicated above, the Council should continue to develop appropriate policies and procedures to ensure full security of its website and compliance with GDPR, etc requirements.

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.

During our 2024-25 review, we discussed with the Clerk and her Deputy the procedures in place for the processing, approval and authorisation for release of expenditure noting that virtually all payments are being paid online. We have selected a test sample of payments processed throughout the year to check for compliance with the above criteria reviewing them by reference to the retained hard copy supporting documentation held on file again noting the attachment of a summary sheet to each payment incorporating a raft of information and signed off by one officer and counter-signed as approved for payment by the RFO / Deputy Clerk. Our test sample for the year includes 73 individual payments totalling £302,270 equating to 52% 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 confirming their examination and approval for payment. We also note that the invoices, whilst generally filed in payment date order, do not contain any cross-referencing numbers to entries in the Omega cashbooks. 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 be 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.

Whilst we considered the controls in place generally acceptable during last year's review, we made two suggested improvements to further strengthen them with members effectively evidencing their involvement in the payment approval process by initialling / signing either the invoices themselves or the attached covering sheet. We are disappointed to note that no action appears to have been taken to action either recommendation in relation to the approval and processing of payments and, consequently, reiterate them in this report.

We note that the 2024-25 year-end and four quarterly VAT reclaims for 2025-26 have been appropriately prepared, submitted and repaid by HMRC, detail of which we have agreed to the Omega nominal control account.

Conclusions and recommendations

As indicated in our 2024-25 report, we consider that the controls in place over the approval of payments for release could and should be further strengthened with councillors evidencing their physical review and approval of the invoices for payment either on the invoices themselves or on the attached covering sheets to demonstrate the effective discharge of their fiduciary responsibilities. We also urge that invoices processed during the year are allocated sequential reference numbers, those numbers being recorded both on the invoice and / or 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 for release thereby demonstrating the effective discharge of their fiduciary responsibilities.*
- R3. *Payment documentation should also ideally be allocated sequential numbers when processed to provide an effective means of cross-referencing and ease of identification in the files of retained documents with those numbers also recorded in the Omega cashbooks 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 noted last year that the Council had prepared and adopted both a Risk Management Policy and detailed Risk Management Scheme, the latter document incorporating an assessment of the potential likelihood of the recorded potential risks materialising and the impact should that eventuality occur. We are pleased to note that the Risk Management Scheme has been subjected to further review and formal re-adoption at the March 2026 P&R Committee meeting. We have examined the updated document and consider it appropriate for the Council's present needs.

We have also examined the Council's 2025-26 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

£500,000, together with Business interruption – Loss of revenue cover of £260,332 all of which we consider appropriate to the Council’s present requirements.

Conclusions

We are pleased to record that no concerns arise in this area at present. We shall continue to review the Council’s approach to risk management at future review visits reporting our conclusions accordingly.

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 2026-27 budget and precept requirements noting that both were approved and adopted at the January 2026 full Council meeting with the latter set at £601,253.

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 Omega generated year-end budget report seeking and obtaining explanations for the few existing variances of note by reference to detail in the underlying Omega nominal account code transaction reports with none requiring further enquiry. Total income stood at 138% of the approved budget, whilst expenditure stood at 107%, neither of which give cause for concern.

Conclusions

We are pleased to record that no matters arise in this area requiring 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 occasional bar sales.

We have examined the controls in place over the recovery of burial and associated fees, including memorials, selecting a sample of 8 interments that occurred subsequent to 1st June 2025 ensuring that the appropriate fees had been charged and recovered within a reasonable time span and that the requisite burial and / or cremation certificates were held in each case. Whilst the total value of the interment fees received and date of receipt are recorded on the supporting documentation, the make-up of the fees received is not readily identifiable in each case, To provide a clear audit trail, we have suggested to the Clerk that the make-up of the fees received should, ideally, also be identified on the supporting documentation.

In addition to burial income, we examined at our interim review income arising from the “In bloom” provision of floral arrangements noting the maintenance of a comprehensive spreadsheet register of clients that includes detail of the fees chargeable for each client, the amount and date of receipt, all of

which we consider appropriate affording an effective control mechanism over the recovery of these fees. We are pleased to note that all anticipated income has been duly received.

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 with no such issues identified.

We have also examined the Omega Sales Ledger – “Unpaid invoices by date” report noting at the year-end the existence of four unpaid accounts dated prior to 31st December 2025, the earliest dating from June 2025. We discussed the position with the Clerk at our interim visit and, whilst pleased to note the improved position, we urge that positive action is taken to pursue these four long-standing debts. We shall recheck the position at our interim review visit for 2026-27.

Conclusions and recommendations

We are pleased to record that no significant issues arise in this area although, as above, we urge that, when recording the amount and date of receipt of interment income on the interment application documents, the basis of the component elements of the charged total fee are also identified to provide a clear means of verifying accuracy in line with the approved scale of fees and charges. We also urge that positive action is taken to pursue all and any debts that are three or more months old.

R4. To provide clarity in the make-up of interment fees received, rather than just record the receipt date and total fee received, detail of the constituent elements should also ideally be identified on the documentation to provide a clear audit trail.

R5. Positive action should be taken to ensure recovery of the four debts raised three or more months prior to the financial year-end.

Petty Cash Account

The Council operates a petty cash account through an Omega cashbook with only a limited number of transactions occurring in the financial year. Consequently, we have examined the documentation supporting all payments recorded in the year to the date of our interim visit with no issues arising.

We also, at that visit, checked the physical petty cash held noting an apparent shortfall of £1.00.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation this year, although we suggested in our interim report that the apparent cash shortfall be further examined.

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 consequently, for each employee: -

- Verified the gross salaries paid to each staff member in post in August 2025, that month's payroll incorporating the 2025-26 national pay award together with arrears backdated to 1st April 2025, by reference to the Council's approved spinal NJC Scale point and contracted weekly hours for each employee;
- Checked, where applicable, any overtime hours paid in the same month to supporting timesheets;
- 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;
- Checked to ensure that the appropriate pension deductions / contributions have also been calculated for the month for each staff member contributing to the LG Pension Fund; and
- Ensured the accurate payment of staff net salaries for the month, 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. doing so we note that the asset value recorded in the spreadsheet Asset Register – worksheet entitled “Asser register” totals £11,334,381, whilst in the worksheet titled “25 and 26 compare”, the total value is shown as £11,338,512, which value is recorded in the Omega accounts “Annual return – Box 9” value. We urge that the two worksheets be examined to determine a consistent value which should be disclosed in the year's AGAR when submitted to the external auditors.

Conclusions and recommendation

No significant issues have been identified in this area, although the two above Asset Register worksheets should include consistent data with a consistent total value recorded.

R6. The Asset Registe should be re-examined to ensure that all worksheets record consistent detail and values with the correct total value recorded in the year's AGAR at Section 2, Box 9.

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 closed the Close Bros deposit account earlier in the year and has subsequently transferred £700,000 into a CCLA PSDF account which is now earning substantial interest each month which is credited directly to the Lloyds current account.

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, also now ensuring the accurate disclosure of the residual loan liability in the AGAR at Section 2, Box 10.

Conclusions

We are pleased to record that no issues arise in this area.

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. We have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area, except, as indicated earlier in this report in relation to the new Assertion 10 in the Governance Statement.

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, a nominated councillor should review and sign-off the bank reconciliations and supporting month-end bank statement(s) at least quarterly during the year with hard copies of the signed documents retained on file for audit examination.	<i>This has been actioned appropriately with reconciliations reviewed and signed off.</i>
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 for release thereby demonstrating the effective discharge of their fiduciary responsibilities.	
R3	Payment documentation should also ideally be allocated sequential numbers when processed to provide an effective means of cross-referencing and ease of identification in the files of retained documents with those numbers also recorded in the Omega cashbooks as though they were a cheque number.	
Review of Income		
R4	To provide clarity in the make-up of interment fees received, rather than just record the receipt date and total fee received, detail of the constituent elements should also ideally be identified on the documentation to provide a clear audit trail.	
R5	Positive action should be taken to ensure recovery of the four debts raised three or more months prior to the financial year-end.	
Review of Income		
R4	The Asset Register should be re-examined to ensure that all worksheets record consistent detail and values with the correct total value recorded in the year's AGAR at Section 2, Box 9.	