



MANAGEMENT IN CONFIDENCE  
**MALMESBURY TOWN**  
**COUNCIL**

**Draft Internal Audit Report FY 2019/20**

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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 Deputy Town Clerk and their 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. We will also follow up the recommendations made in the 2018/19 report.

4. The Joint Burial Committee (JBC) which was a partnership between MTC and St Pauls Without Parish Council (SPW) ceased to operate in this guise on 3/10/2018. The JBC was responsible for the management and operation of the Tetbury Hill Cemetery in Malmesbury. The task of managing this cemetery has now passed to a Burial Committee which has sole responsibility and is a MTC Committee. There will no longer be a separate JBC report and a review of the Burial Committees work will form part of the MTC Annual Report.

### AUDIT OPINION

**5. Overall the systems of control at Malmesbury Town Council are good. All transactions are properly authorised and there is adequate documentation in place. I saw evidence that the MTC was trying to improve transparency and governance throughout the administration of the Council. There were a number of initiatives in place to achieve this including restricting the use of cash wherever possible, for example through the use of a new corporate credit card. The Risk Management system has been**

**reviewed and updated and is now more than box ticking exercise. Not all systems have been fully updated and in some cases current practices are in advance of the documentation but it is clearly the intention of the new Town Clerk and his team to complete this updating as soon as possible. I repeat what I have said in the past about strategic financial planning and the need to plan to ensure available funds and reserves are used effectively and do not fritter away in a piecemeal fashion. Again the new team have spoken about the need for a more systematic and transparent approach to financial management and governance and so I am confident this area of MTC finance is improving significantly.**

## **KEY FINDINGS**

### **Accounting and Financial Regulations**

5. 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 correctly authorised.

6. 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. The Town Clerk recognizes that the updating of the Financial Regulations is needed and I expect this to be completed by the time of the next Audit Review.

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

### **Risk Management**

9. In previous reports I noted that while there was a Risk Register in place this was in the main a tick box exercise and was not used as a working tool. That register has been completely reviewed, updated and presented to Council. It would help Councilors to manage risks if these were presented in a format where the highest risks were highlighted in an executive summary rather than simply a risk of all risks in no particular order.

10. There are thirty five risks on the new Risk Register and these are not ranked in order of risk. This is a significant number of risks for any organisation to review. I suggest that a summary of the top, say, five high level risks is prepared so that Council can clearly see where effort and review should be concentrated. Business Continuity is the first risk listed and it has a low probability. Given that the Coronavirus outbreak is a classic Business Continuity event this should be reviewed. For MTC members to accept Risk Management as a working and relevant management tool it must be useable and make sense.

### **Budgetary Control and Financial Management Information**

10. 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 were

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.

11. 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 there 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.

## **Asset Management**

12. This year I was able to review the Asset Register in detail. It is a much 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**

13. The Burial Committee (BC) is now fully part of MTC. The issues I have highlighted in the past concerning the share that ST Pauls Without paid for the service are no longer relevant. There is still a separate bank account but my understanding is that this will change in 2020/2021 and all income and expenditure will go through the MTC bank account. Last year I made some recommendations surrounding the use of the cemetery and its assets. These recommendations have been overtaken by events. The extension has been made operational, i.e. graves dug, so it is now ground with no realistic chance of it being put to any other use. The Lodge is currently vacant but I understand the MTC has made a decision to find a new tenant. The agreement with St Pauls Without which was in draft last year has now been signed.

14. The BC finances are now included in the MTC management information reports. There is no longer thought necessary for all the costs to be allocated to burial activity, for example; the time spent by MTC staff in maintaining the cemetery. However the result of this is that the income generated from the burials activity is easily identified but not so the income. Last year Burial income was £17857 and expenditure £20095. This year to date the income is £19325 and (overhead) expenditure is £1820. Tissue this raises is establishing how well the Burial activity is working, is it funding itself, are the charges realistic and reasonable. I suggest that without resorting to the complicated accounting arrangements used in the past an effort is made next year to properly identify the true income and expenditure position.