



# **Marlborough Town Council**

*Internal Audit Report 2023/24 (Final Update)*

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*For and on behalf of Auditing Solutions Ltd*

## **Background**

Statute requires all town and parish councils to arrange for an independent internal audit 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 2023/24 financial year during our three visits which took place on October 19<sup>th</sup> 2023, the 20<sup>th</sup> February and 11<sup>th</sup> June 2024. We wish to thank the Office Manager and the Town Clerk for providing the records to enable us to complete our work.

## **Internal Audit Approach**

In completing our review for the year, we have paid due regard to the materiality of transactions and their susceptibility to potential miss-recording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover is designed to afford appropriate assurance that the Council's financial systems remain 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 'Internal Audit Report' which is part of the Council's AGAR and requires independent assurance over specified internal control objectives.

## **Overall Conclusion**

Based on our work undertaken, the Council continues to maintain effective internal control arrangements. Our findings in each area examined are set out in the detailed report below.

We request that this report is presented to Members and that Members acknowledge receipt of the Report.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Rialtas software to maintain its accounting records (the Ledger). Two operational bank accounts are maintained at Barclays, the Business Current and Business Saver accounts which are accounted for in a combined cashbook (number one) in the Rialtas system. In addition, the Council has invested surplus cash in an account with the CCLA Public Sector Deposit Fund.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbook or financial ledgers. We have:

- Confirmed the External Auditor raised no issues on the 2022/23 AGAR requiring our follow up;
- Agreed the opening trial balance detail for 2023/24 as recorded in the Ledger to the closing detail contained in the 2022/23 AGAR;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure remains appropriate for purpose;
- Checked to ensure that the Rialtas Ledger remained “in balance” at the date of our three visits by running a data check within the system to confirm the trial balance agreed to the nominal ledger;
- Checked and agreed detail in the combined number one cashbook, examining and agreeing transactions in September 2023, January and March 2024, as sample months, to supporting bank statements;
- Agreed the combined Business Current and Active Saver Account bank reconciliation as at 31<sup>st</sup> August, 30<sup>th</sup> September, 31<sup>st</sup> December 2023, 31<sup>st</sup> January, 29<sup>th</sup> February and 31<sup>st</sup> March 2024;
- Discussed with officers the arrangements for Member review of the bank reconciliations noting they had been countersigned during the year; and
- Agreed the balance recorded in Rialtas in respect of the CCLA account to the third-party statement dated 31<sup>st</sup> August 2023 and 31<sup>st</sup> March 2024.

### *Conclusions*

*The ledger is in balance and the accounts are regularly reconciled to the bank with no anomalous adjusting entries.*

*We have agreed the cash and investment balances to the AGAR, section 2 line 8.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation, although it is for the Council to determine the legality of its transactions. Consequently we:

- Have completed our examination of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (except for Planning) held during the financial year 2023/24 with a view to identifying whether any issues exist that may have an adverse effect on the Council's future financial stability, both in the short and longer term;
- Note the Council continues to keep its corporate policies under review with Full Council adopting Standing Orders and Financial Regulations at the Meeting held in May 2023 and May 2024;
- Noted that the General Power of Competence has been adopted;
- Confirmed that the Council is posting all payments over £500 onto its website and doing this monthly; and
- Confirmed the Council advertised its 2022/23 accounts for public inspection.

### *Conclusion and recommendation*

*Based on our work the Council is maintaining its governance arrangements. There is scope to expand the disclosures on the Council website to comply with the requirements of the Transparency Code for example to disclose detail of land and buildings held, detail of contracts tendered and commissioned, although some information will be included in the agenda papers.*

*R1 The Council should review the detail posted on its website in relation to the Transparency Code and ensure information is posted explicitly.*

## Review of Expenditure

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- Payments are supported by appropriate documentation, 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;
- That Members are provided with, and approve, the regular schedules of payments made;
- 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 confirmed with officers the controls over the processing of payments. We completed testing in this area examining a sample of all those supplier payments individually in excess of £2,000 together with a more random selection of every 35<sup>th</sup> cashbook transaction, irrespective of value, entered in the Cashbook for the twelve months to 31<sup>st</sup> March 2024 to ensure compliance with the above criteria. Our sample comprised 85 payments plus the regular non-domestic rate payments, totaling £339,947 and equated to 55% of non-pay expenditure in the year. All payments in our sample were supported by invoices or suitable documentation, for example for grants supporting email correspondence and minutes.

We note that the Council sought quotes for two contracts, one for replacement windows at a property in Kingsbury Square and one for construction works at the Council's workshop. We reviewed the quotes and supporting paperwork.

We confirmed the VAT owing to the Council at the end of 2022/23 was recovered in May 2023 and reviewed the re-claims for the first three quarters of 2023/24 confirming the funds were recovered with detail correctly entered into the VAT control account.

### ***Conclusion***

***No issues arise from this area of our work. Based on our sample payments are supported by suitable documentation.***

## **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 to minimise the opportunity for their coming to fruition.

We have examined the Council's current insurance policy provided by Zurich running to the 16<sup>th</sup> June 2024, cover includes:

- Building insurance;
- Business interruption insurance
- Cover for equipment;
- Public liability cover of up to £15m;
- Hirer's liability cover up to £2m;
- Employer's liability £10m;
- Motor vehicle cover; and
- Fidelity guarantee £2m.

We confirmed that the Council reviews its Risk Management Scheme annually, most recently in May 2024. The Risk Management Scheme identifies the risk, assesses them and describes the controls to management them. It includes a range of financial risks.

We note that regular in-house safety inspections are carried out on Council owned play equipment, staff are trained to do the work, also there are periodic inspections by an external body.

### ***Conclusion***

***No issues arise from our work, the Council has arrangements for managing risk.***

## **Budgetary Control & 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 level of precept to be drawn down from the Unitary Authority: 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. We note that:

- The Finance and Policy Committee considered the 2024/25 budget at their December meeting after initial consideration by the other committees. Members were provided with a detailed financial report showing prior year, current year and proposed income and expenditure for 2024/25. This was broken down by Committee. An analysis of reserves was provided also. Members were further provided with a narrative report on key issues. Full Council met on the 8<sup>th</sup> January 2024 and agreed the 2024/25 budget and precept setting the latter at £890,930. Members considered possible projects, reserves and the impact on Council tax in reaching their decision;
- Members continue to receive regular budget monitoring reports quarterly, which include income and expenditure reports and a balance sheet;
- At the year-end 31st March 2024 total balances and reserves were £1,287,292 including a general balance of £528,475. Spending in 2023/24 was £1,058,494 or £88,208 a month. The general balance is some six months spending and is within the normal range seen at town and parish councils of three to eight months; and
- We reviewed income and expenditure year on year noting reasons for variations. General spending in 2023/24 is up some £100,000 compared to the prior year reflecting spend on one-off projects including the new workshop, play equipment and replacement windows.

### ***Conclusions***

***No issues arise in this area, based on our work the Council has arrangements for managing its finances.***

## Review of Income

The Council receives income, in addition to the Precept, primarily from Town Hall lettings, property rents, allotments, burial and associated fees, bank interest and specific grants & donations, together with expended VAT, which is recovered quarterly. We have:

- Agreed the first and second instalments of the 2023/24 precept received into the Council's accounts in April and September 2023 to the amount set and recorded in the Minutes of the Council and to remittance advices from Wiltshire Council and to the list of precepts published by the Government;
- For Marlborough Community and Youth Centre, test checked a sample of hirings in July 2023 from the booking diary ensuring the hire was invoiced at the correct rate and ensuring the income was recorded in Rialtas;
- At the interim stage reviewed debtor codes in Rialtas and the manual file of invoices to confirm there were no material aged amounts owing;
- Noted that Members keep fees and charges under review;
- Noted the Council received CIL in the year. We sample tested an amount of £13,124, agreeing it to a remittance advice from Wiltshire Council;
- Selected five interments from the Burial Register and confirmed a certificate for burial or cremation was on file and that the fee charged agreed to the schedule of rates published on the Council website and that an invoice had been raised and recorded in Rialtas;
- Tested five Town Hall bookings from the letting diary agreeing the income generated to an invoice, to Rialtas and to the published schedule of fees and confirmed booking forms were held on file;
- Reviewed income received in the year in respect of Corporate Properties and agreed the income received in respect of two properties to the respective letting agreements;
- Reviewed the income received in respect of open spaces and agreed the income received in respect of the Mop Fair to the licence agreement; and
- As noted previously in this report test checked a sample of three month's income from the bank statement to the cash book and reviewed the recovery of VAT.

### *Conclusion*

*Based on our work, the Council continues to maintain systems for collecting income.*

## Petty Cash Account

We are required, as part of the AGAR certification process, to consider the effectiveness of the Council's controls over any petty cash account or other cash holding in use.

The Council operates a limited petty cash account to defray sundry administrative expenses. The account is “topped up” as and when required with “round sum” cash withdrawals through the Barclays cash-point card. These transfers are recorded in the main cash book.

We agreed the physical cash held on the day of our first visit to the accounting records and test checked payments in July to September 2023 to ensure that vouchers/till receipts were retained to support the payments.

### ***Conclusion***

***There are no issues arising in this area.***

## **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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme by deducting employee contributions and paying employer contributions at the correct rates.

We noted that processing of the Council’s monthly payroll continues to be undertaken “in house” utilising bespoke ‘QuickBooks’ software. We sample checked payroll transactions, specifically we have:

- Test checked the pay for one officer on the August payroll to supporting contracts/letters of employment confirming the amount paid to the nationally published pay-scales;
- Obtained the summary payroll reports for August 2023 and agreed the totals to the Rialtas cash book payments;
- Checked the calculation of tax and national insurance for five staff paid in August by reference to their payslips;
- Checked for five staff the calculation of employee and employer pension contributions in respect of the August salary payments;
- Confirmed signed timesheets are held on file;
- Sample checked the calculation of back pay in respect of the national pay award, which was paid in November 2023; and
- Completed our month-on-month trend analysis of payroll transactions per the cash book to enable us to confirm there are no material anomalies.

### ***Conclusion***

***The Council has arrangements for processing its payroll. We have tested one month in detail and monitored monthly costs during the year for material consistency.***



## Fixed Asset Register

The Governance and Accountability Manual requires all Councils to maintain a record of all assets owned. We note the Council retains an asset register which provides photographic information of the specific assets and that assets are valued at cost for the purposes of the disclosure in the AGAR as required by the accounting regulations. The asset register identifies the cost of individual assets and categories them for example in to land and buildings, infrastructure assets etc.

We have checked additions in the year to the Rialtas Ledger for consistency noting the main addition in 2023/24 related to the workshop.

We have agreed the total value of the assets per the asset register to the amount recorded in Box 9 Section 2 of the draft AGAR.

### *Conclusion*

*No issues arise in this area of our work requiring formal comment or recommendation.*

## Investments and Loans

Our objectives here are to ensure that the Council is investing “surplus funds”, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; and that interest earned is brought to account correctly and appropriately in the accounting records.

During our interim review we agreed the balance shown in the accounts as invested in the CCLA to the CCLA statement dated 31<sup>st</sup> August 2023. At the final visit we agreed the balance at 31<sup>st</sup> March 2024. We further confirmed that interest was being brought to account.

We note the Council plans to review and re-adopt its investment strategy in 2024/25.

We confirmed the Council held no loans advanced to it at 31<sup>st</sup> March 2024.

### *Conclusions and recommendation*

*The Council is holding significant sums in its current account, £918,297 at the 31<sup>st</sup> March 2024. It has been some years since the Council formally reviewed and re-adopted its investment strategy.*

*R2 The Council should review and adopt its investment strategy and confirm whether additional funds can be placed on deposit to earn interest.*

## **Statement of Accounts and Annual Governance and Accountability Return (AGAR)**

The Governance and Accountability Manual requires all Councils to prepare annually a Statement of Accounts, which is now embodied in the AGAR and subject to external audit review and certification.

We have checked and agreed the detail in Section 2 of the draft AGAR to the underlying accounting records. Specifically, we have:

- Reviewed the debtors and creditors included in the year-end accounts testing as necessary to underlying evidence and listings;
- Agreed the fixed assets, cash and investments as stated to underlying third party evidence; and
- Agreed the draft AGAR to the Rialtas records.

We note the Council holds funds totalling £80,000 relating to local charities. We understand the Clerk submitted the return to the Charity Commission for the larger Herbert Leaf Charity, for the smaller Russell Trust with a balance of £10,374 the return was not submitted last year.

### ***Conclusions and recommendation***

***We have duly signed off the Internal Audit Certificate in the year's AGAR providing a copy for the Clerk's necessary further action. We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.***

***Whilst accepting the Russell Trust is small, a return is normally required to be sent to the Charity Commission.***

***R3 Officers should confirm whether a return is required to the Charity Commission in respect of the Russell Trust.***

Rec. No.	Recommendation	Response
<b>Review of Corporate Governance</b>		
R1	The Council should review the detail posted on its website in relation to the Transparency Code and ensure information is posted explicitly.	
<b>Investments and Loans</b>		
R2	The Council should review and adopt its investment strategy and confirm whether additional funds can be placed on deposit to earn interest.	
<b>Statement of Accounts and Annual Governance and Accountability Return (AGAR)</b>		
R3	Officers should confirm whether a return is required to the Charity Commission in respect of the Russell Trust.	