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Our Ref: MARK/GOD001

Mr A Jeffery
Godalming Town Council
Town Council Offices Municipal Buildings
Bridge Street
Godalming
Surrey
GU7 1HR

19th April 2018

Dear Andy

**Re: Godalming Town Council
Internal Audit Year Ended 31st March 2018**

Following completion of our interim audit on the 21st November 2017 and our final internal audit on the 16th April 2018 we enclose our report for your kind attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date. Where appropriate recommendations for future action are shown in bold underlined text.

Interim Audit – Summary Findings

At the interim visit we reviewed and performed tests on the following areas:

- Review of the Financial Regulations & Standing Orders
- Review of the Risk Assessments
- Review of the Budgeting Process
- Proper Bookkeeping

It is our opinion that the systems and internal procedures at Godalming Town Council are very well established, regulated and followed. The clerk and the RFO are very experienced and ensures the Council follows best practice regulations and has over time adapted and changed the internal procedures as regulations and technologies have changed to maintain compliance.

It is clear the Council takes policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are fit for purpose. I have identified a number of minor recommendations for consideration by the Council. These are set out at Appendix A.

The results of my interim audit can be seen below. I have set out the results of my testing against each of the control objectives set out in the internal audit section of the annual return.

Final Audit – Summary Finding

At the final visit we reviewed and performed tests on the following areas:

- Review of annual accounts & annual return
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

The accounts have been correctly prepared on the income and expenditure basis using the RBS accounting package. The annual return contained the correct comparative figures and opening balances and cast correctly. The accounting entries were supported by underlying documentation and workings.

I have set out the results of my testing against each of the control objectives set out in the internal audit section of the annual return below.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor and that the annual return is a true and fair reflection of the financial transaction of that of the council for the year ended 31st March 2017. Accordingly, I have signed off the annual return.

A. Books of Account

The Council continues to use RBS an industry specific accounting package. The RBS system is used daily to report and record the financial transactions of the council and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read and logically filed. I therefore make no recommendation to change in this system. I am pleased to note that the Council is now running hall bookings directly through RBS, using the bookings module. This should help significantly in managing booking income.

I confirmed that the Council has brought forward the correct balances on the general ledger by checking the opening balance sheet back to the signed 16-17 accounts. I also confirmed that the Council has loaded the audited accounts and audit certificate to the Council website. **I have one minor recommendation; the conclusion of audit certificate should also be loaded on to the website.**

I checked that the Council has considered external audit and internal audit reports. I note that the external audit report was reviewed at the November meeting of Full Council, and a minute recorded. Internal Audit's year-end report was discussed at the Audit Committee in June – **I recommend that future reports are also discussed at Full Council.**

The Council is up to date with VAT reporting. VAT return for the period to 30.9.17 has been submitted to HMRC - balances on the return could be agreed back to reports on the RBS system.

Final Audit Visit

I agreed the statement of accounts back to annual return reports produced by the Council's accounting system, RBS. I therefore conclude that all figures on the annual return have been correctly derived from the Council's accounting system. Arithmetic has been checked and the accounts cast.

I checked comparative figures for the previous financial year disclosed on this year's annual return back to last year's signed accounts, and can confirm that opening reserves balances, and comparative figures are accurately recorded in this year's annual return.

I also confirmed that VAT is up to date, with the return completed and submitted to HMRC for the period to 31.3.18.

I am satisfied that the Council has met this control objective

B. Financial Regulations & Payments

The NALC model financial regulations were taken to council in November 2017. Standing orders, largely based on the NALC model, were approved at the Council meeting of April 2017. We understand that the Members Code of Conduct has not been reviewed since 2013. **We suggest that this is reviewed against the NALC model in the next 12 months.**

Council is given authority to spend via the annual budget process, payments are made so long as there is available budget. It is clear council has good robust systems, policies and regulations in place and takes seriously its responsibility in this regard. I reviewed a sample of expenditure transactions and was able to confirm the following:

- Cashbook entry could be agreed back to an invoice from the supplier
- Approval for the payment was recorded in a minute of a meeting of the JBC
- Signature of two committee members was viewed on each invoice tested and BACS payment slip / cheque stub
- Where appropriate I was able to confirm that financial regulations relating to procurement had been followed.

I therefore conclude that payments are authorised in accordance with financial regulations and a dual signatory system is in place for all payments. **I have one observation. I noted that VAT had not been levied on the invoice for administration charged by Godalming TC to Godalming JBC. This would appear to be a standard rate vatable supply and it is my opinion that VAT should have been added to this invoice.**

I note that Godalming TC is largely compliant with requirements of the Transparency Code. The Financial Information section of the website lists information required by the Code, including regular uploads of payments above £500, information on grants paid and budgetary information. There is scope for some improvement in order to achieve full compliance, **I would recommend Crowborough Town Council as an example of best practice.**

Final audit

Non pay expenditure in box 6 to the accounts is £733,800 (£433,293 in 2016-17) The increase is due to capital spend on the Wilfrid Noyce Centre, which I tested at my interim audit.

I carried out sample testing of further expenditure items from the second half of the financial year. Again, for all transactions tested I was able to confirm the following:

- Cashbook entry could be agreed back to an invoice from the supplier
- Approval for the payment was recorded in a minute of a meeting of the Town Council
- Signature of two members was viewed on each invoice tested and BACS payment summary

I was pleased to note that the Council has made significant improvements to transparency reporting on its website, in response to a point raised at my interim audit. The Council is now compliant with recommended good practice, and I confirmed that information on the website is up to date.

I have identified no errors in my testing of expenditure recorded in box 6 to the accounts

C. Risk Management & Insurance

The Council has a risk strategy in place and monitors and reviews risk on an ongoing basis. Council is aware of and has policies in place to mitigate financial risk. The risk assessment will be reviewed at the January meeting of the Audit Committee. **I have reminded the RFO that the risk assessment must also be taken to a meeting of Full Council before 31 March, and this review minuted.**

Godalming TC is insured with Aviva via WPS brokers on a standard local authority long term deal. This is the final year of three, and the Council is preparing to go retender its insurance. The Museum is insured with Ecclesiastical Insurance. I viewed the Council's policy document and confirmed it runs to 31.3.18. Asset and money cover appear adequate. I understand that the Council is planning to review the insured valued of fixed assets as part of the new insurance tender.

The Council's computer data is backed up by an external supplier to a remote location. **I recommend that the back-up is tested annually to provide assurance to the Council that it can access all data and applications necessary from back up.**

Final Audit

I confirmed that the Council has carried out a comprehensive risk assessment. This was reviewed at the Audit Committee, prior to minuted approval at the 22 March 2018 meeting of the Full Council. I note that the approval has been noted via the 'other committees' section of the Full Council minutes. I recommend that going forward, the risk assessment should be approved via an individual numbered minute of the Full Council. Other parish and town councils have been criticised by external audit for following the approach adopted by Godalming TC this year.

I was pleased to note that the Council successfully tested computer back-ups in January 2018.

The Council prepared a comprehensive response to my interim audit, which was reviewed at both Audit Committee and Full Council. I have updated appendix A of this report with details of actions taken by the Council

I am satisfied that this control objective has been met.

D: Budget, Precept & Reserves

I have confirmed that the 2018-19 budget cycle is well under way. Draft budgets were due to be discussed with the Policy and Management Committee in November 2017, with approval of budget and precept due at the Full Council meeting of January 2018. All precepting authority deadlines will be met.

Councillors receive regular reports on budget against actuals via reports to the Policy and Management Committee. I reviewed the report for the period to October 2017 and was able to confirm that the budget is well managed. Overspends have been properly explained and approval for funding sought from Councillors. I was pleased to note that in year monitoring of reserves is carried out, this is an example of good practice.

Reserves at 31.3.18 are projected to stand at £372K, of which £222K will be in the general fund. At around 40% of precept, this is an acceptable reserve level for a Council of this size.

Final Audit

I confirmed that the 2018-19 budget was approved at the Full Council meeting of January 2018.

Reserves at year end set out in box 7 to the account were £412,887 (2016/17 £331,477). Of this £236K is held in general reserves, which is 41% of precept. The remainder is held in a number of earmarked reserves, which include reserves for building costs (eg property maintenance and museum reserves) and specific projects (eg WW1 Memorial / Christmas Lights reserves) I am satisfied that the levels of reserves held by the Council are appropriate for a council of this size and are well managed. I am also content that this control objective has been met.

E: Income

The Council has installed the RBS booking module in the course of the 2017-18 financial year. As a consequence, invoices are now raised at the point of booking, using pre-set fees and charges data. I tested a sample of

transactions relating to income from room / hire, and was able to agree cashbook figures back to invoices. I was also able to agree rates back to approved fees and charges. **I noted that fees and charges were last approved in November 2016 and are therefore due to be taken to Council for review.**

Final Audit

I confirmed that the 2018-19 budget was approved at the Full Council meeting of January 2018.

Reserves at year end set out in box 7 to the account were £412,887 (2016/17 £331,477). Of this £236K is held in general reserves, which is 41% of precept. The remainder is held in a number of earmarked reserves, which include reserves for building costs (e.g. property maintenance and museum reserves) and specific projects (e.g. WW1 Memorial / Christmas Lights reserves) I am satisfied that the levels of reserves held by the Council are appropriate for a council of this size and are well managed. I am also content that this control objective has been met.

F. Petty cash

The Council holds one petty cash account, with a maximum balance of £200 held at any one time. I will review this at my final accounts visit.

Final Audit

I confirmed that petty cash account is reconciled regularly. I checked the year end petty cash reconciliation, and confirmed that petty cash had been counted and reconciled, and the reconciliation signed off by 2 officers. I am satisfied this control objective has been met.

G. Payroll

Staff costs per box 4 of the annual return £246,718 (2016-17 £245,134)

Payroll is processed using Sage 50 payroll and is processed in house by the RFO. Payroll is then reviewed by the Clerk and signed off by two councillors prior to payment to staff. I tested sample of payroll transactions selected from whole financial year and in all cases I was able to confirm that:

- Rate of pay was correct
- Pay per general ledger could be agreed back to pay slip
- Payslip had been subject to signed authorisation by the Clerk and 2 Councillors
- Payment agreed to payslip, once deductions applied

I have identified no errors in my testing of income recorded in box 4 to the accounts

H. Assets and investments

The asset registers are up to date and properly maintained. I can confirm that new assets such as the Museum have been added to the asset register. I also confirmed that expenditure on works at the William Noyce Centre costs have been recorded in a separate cost centre and will be added to the asset register before 31.3.17, as work is nearing completion. Detailed testing of fixed assets will be carried out at year end, as part of the process of reconciling the annual accounts to the fixed asset register.

Final Audit

Fixed assets per box 9 to the accounts are £1,566,244 (2016-17 £1,241,182). I have been able to confirm the balance in the accounts to the Council's asset register. The increase in fixed assets is due to the additions at the Wilfrid Noyce Community Centre. I have confirmed that this has been added at cost, as required by regulations. 3 new assets have been donated to the Council at proxy cost of £1 from Waverley BC – these are:

- Godalming Museum
- Farncombe toilets
- Crown Court toilets

I can confirm these have been correctly added to the asset register at the proxy cost of £1.

I confirmed by review and enquiry that no fixed asset disposals have occurred in 2017-18 or that any are necessary. I have identified no errors in my testing of fixed assets recorded in box 9 to the accounts

I: Bank reconciliations

The Town Council has two bank accounts. The bank reconciliations for both accounts are properly prepared and presented to committee for verification and approval on a regular basis. I confirmed that reconciliations are completed promptly at the end of each month. The September 2017 bank reconciliations were re-performed. There were no errors, and I confirmed that the reconciliation and bank statements had been signed by the reviewing member of the committee. The system of reconciliation is working correctly.

I recommend that the Council considers moving monies to different financial institutions, in order to take full advantage of the Financial Services Guarantee Scheme.

Final Audit

Borrowings – box 10 to the accounts £1,098,351 (£819,522 2016-17) I have confirmed year end borrowings to third party PWLB balances supplied by the external auditors.

Cash and bank – box 8 to the accounts £425,887 (£341,424 2016-17) I have re-performed the year end bank reconciliation and I was able to agree the bank reconciliation back to bank statements and the RBS cashbook. The reconciliation had not been reviewed by Councillors at the time of my audit, but was due to presented at the next meeting.

Boxes 10 and 8 to the accounts are fairly stated

J. Year-end accounts

I confirmed that the Council has completed a reconciliation between box 7 and 8 of the accounts and that this is supported by schedules of debtors and creditors. A year on year variance report has been completed as required by the external auditors.

I can confirm that the Council has plans in place to allow for an inspection period in line with regulations, with the inspection timed to include the first 2 weeks of July.

I am satisfied that this control objective has been met.

K. Trusteeship

No trusts.

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards
Yours sincerely



Mark Mulberry

Points Forward – Action Plan

| Matter Arising | Recommendation | Internal Audit Follow Up |
|--|---|---|
| I confirmed that the Council has loaded the audited accounts and audit certificate to the Council website. | I have one minor recommendation, the conclusion of audit certificate should also be loaded on to the website. | Completed |
| Internal Audit's year-end report was discussed at the Audit Committee in June | I recommend that future reports are also discussed at Full Council | Complete – checked at March Full Council |
| We understand that the Members Code of Conduct has not been reviewed since 2013. | We suggest that this is reviewed against the NALC model in the next 12 months. | Completed March 2018 |
| I noted that VAT had not been levied on the invoice for administration charged by Godalming TC to Godalming JBC. | This would appear to be a standard rate vatable supply and it is my opinion that VAT should have been added to this invoice. | Noted for future references. |
| I note that Godalming TC is largely compliant with requirements of the Transparency Code. | There is scope for some improvement in order to achieve full compliance, I would recommend Crowborough Town Council as an example of best practice | Now complete, good practice being followed |
| The risk assessment will be reviewed at the January meeting of the Audit Committee | I have reminded the RFO that the risk assessment must also be taken to a meeting of Full Council before 31 March, and this review minuted. | Actioned at Audit Committee on 25 Jan, reported at march Full Council |
| The Council's computer data is backed up by an external supplier to a remote location | I recommend that the back up is tested annually to provide assurance to the Council that it can access all data and applications necessary from back up. | Tested 5 jan - Complete |
| I noted that fees and charges were last approved in November 2016 | Fees and Charges are due to be taken to Council for review. | November 2017 – complete |
| All cash is held with one bank | I recommend that the Council considers moving monies to a different financial institutions, in order to take full advantage of the Financial Services Guarantee Scheme. | Under review - investment strategy is to be developed in new financial year |

Final Audit Recommendation

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|--|---|--|
| Risk assessment was approved in minutes from other committees section of Full Council meeting. | Risk Assessment needs its own minute reference in Full Council minutes. | |
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