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Our Ref: MARK/GOD001

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

29th November 2017

Dear Andy

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

Following completion of our interim internal audit 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.

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.

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.

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.**

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.**

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.

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.**

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.

G. Payroll

Test at final 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.

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.

J. Year end accounts

Test at year end.

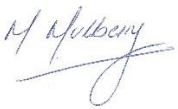
K. Trusteeship

No trusts.

Should you have any queries please do not hesitate to contact me.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mulberry', with a stylized flourish underneath.

Mark Mulberry

Appendix 1 **Points Forward – Action Plan**

Matter Arising	Recommendation	Council Response
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.	
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	
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.	
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.	There is scope for some improvement in order to achieve full compliance, I would recommend Crowborough Town Council as an example of best practice	
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.	
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.	
I noted that fees and charges were last approved in November 2016	Fees and Charges are due to be taken to Council for review.	
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.	
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