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Our Ref:

Andy Jeffrey
Clerk
Godalming Town Council
Municipal Buildings
Bridge Street
Godalming
Surrey
GU7 1HT

15 November 2018

Dear Andy

Re: Godalming Town Council
Internal Audit Year Ended 31st March 2019

Following completion of our interim internal audit on 9 November 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. Recommendations for future action are shown in the table at Appendix A.

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. The internal audit reports should therefore be made available to all members to support and inform them when they are considering the authority's approval of the annual governance statement.

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 – review of the use of the accounts package.
- Review of Bank Reconciliations
- Compliance with Regulations
- Salaries and Wages

It is our opinion that the systems and internal procedures at Godalming Town Council are very well established, regulated and followed. The Responsible Finance Officer (RFO) 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 governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose and indeed are a model of good practice. I would like to thank Rita for her assistance and hard work.

A. Books of Account

Interim Audit

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 confirmed that the Council has brought forward the correct balances on the general ledger by checking the opening balance sheet back to the audited 2017-18 annual return. I also confirmed that the Council has loaded the audited accounts and audit certificate to the Council website. The completion of audit certificate has been correctly published on the Council website and was published well before the 30 September deadline. I have one minor recommendation, the external audit opinion should be reported to the next available full council meeting, it has only been reported to committee at present.

The Council is up to date with VAT accounting. VAT return for the period to 30.9.18 has been submitted to HMRC -balances on the return could be agreed back to reports on the RBS system, and reconciles to the VAT control account on the ledger.

I am satisfied that the Council has met this control objective

B. Financial Regulations & Payments

Interim Audit

The NALC model financial regulations have been reviewed at audit committee, and will be discussed at the next Full Council meeting. Standing orders, largely based on the NALC model, were approved at the Council meeting of July 2018.

I confirmed by sample testing that Councillors have all signed "Acceptance of Office" forms , in line with regulations.

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 note that Godalming TC is 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. I sample checked transactional reporting on the website and confirmed that the Council was up to date in transparency reporting at the end of September.

The Council has an investment policy in place which has been approved by Full Council, thereby meeting new regulatory requirements that came into force from 1.4.18.

I am satisfied that the Council is meeting this control objective

C. Risk Management & Insurance

Interim Audit

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. 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 initial risk review process is under way, to be considered in January Audit Committee, and to be taken to Full Council in March 2019. I will review the risk assessment at my final audit.

Godalming TC is insured with Zurich, on a three year deal, first year of a three year contract following a tender exercise. Asset cover seems consistent with the asset register, and the RFO confirmed asset insurance values were reconsidered as part of the insurance tender. The insurance certificate is in date, with an expiry date of 31 March 2019. I have one observation, money cover is too low at £250K, Godalming TC cash at bank is higher than this. The insurer should be contacted and money cover reviewed.

The Museum is insured with Ecclesiastical Insurance. I viewed the Council's policy document and confirmed it runs to 31.10.19. Asset and money cover appear adequate. Again, cash and money cover on the Museum insurance policy should be reviewed, there is no cover in the insurance policy at present.

The Council's computer data is backed up by an external supplier to a remote location. I was pleased to note that back-ups have been tested in the past 12 months and that this testing worked well.

D: Budget, Precept & Reserves

Interim Audit

I confirmed with the RFO that the 2019-20 budget cycle is well under way. The draft budget will be presented at the December meeting of the Policy and Management Committee, with precept and final budget approval scheduled for the January meeting of Full Council. 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 end of September 2018 and was able to confirm that the budget is well managed. Overspends have been properly explained and approval for funding sought from Councillors.

The Council has well developed reserves, which are recorded on the balance sheet. I will review these in detail at year end.

E: Income

Interim Audit

The Council uses the RBS booking module to invoice and collect income for hires. I tested a sample of transactions relating to income from room hires selected at random from the booking diary. In all cases, I was able to move from the diary booking through to invoice, 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 for 2018-19 room hires have been approved at a Council meeting.

I was pleased to note that the RFO regularly checks an unbilled / zero bill report available on RBS and follows up entries with budget holders. This is good practice and ensures all expected income is collected.

I will test precept and grant income at my year end visit.

F. Petty cash

Interim Audit

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. I confirmed petty cash I reconciled on a regular basis and agreed to ledger.

G. Payroll

Interim Audit

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 October 2018 payroll 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, who is not involved in payroll calculations, and 2 Councillors
- Payment agreed to payslip, once deductions applied
- Basic rate of pay could be agreed to a pay award letter issued to the relevant staff member, signed off by a councillor.

I have identified no errors in my testing of payroll

H. Assets and investments

Interim Audit

The asset registers appeared up to date and properly maintained. I will test this in detail at year end as part of the process of reconciling the accounts to the fixed asset register.

I: Bank reconciliations

Interim Audit

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 October 2018 bank reconciliations were reformed. There were no errors. This reconciliation had not yet been reviewed by Councillors, as the relevant council meeting had not yet taken place, but I confirmed by review of the August bank reconciliations that proper councillor review of bank reconciliations is occurring and that this is noted in minutes. The system of reconciliation is working correctly.

I note that the Council is currently reviewing its investment strategy, partly with the aim of reducing the risk of holding all cash assets with one financial institution. This should be progressed and I will follow up at my year end visit.

J. Year-end accounts

Year-end task

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

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

Mark Mulberry

Points Forward – Action Plan

Matter Arising	Recommendation	Internal Audit Follow Up
The external audit opinion should be reported to the next available full council meeting.	It has only been reported to committee at present.	
I have one observation, money cover is too low at £250K, Godalming TC cash at bank is higher than this.	The insurer should be contacted and money cover reviewed.	
There is no money cover in the Museum insurance policy at present.	Cash and money cover on the Museum insurance policy should be reviewed	