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Our Ref: MARK/GOD001

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

15th April 2019

Dear Andy

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

Following completion of our final internal audit on 15 April 2019 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 financial year. 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

Final Audit – Summary findings

We completed the following work at the final audit.

- Review of annual accounts & annual return
- Review of bank reconciliation
- Testing of income and expenditure, second half of financial year
- Review of fixed asset register
- Review of information for external auditor.

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. It is my opinion that the systems and internal procedures at Godalming Town Council are very well established, regulated and followed.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor. Accordingly, I have signed off the Annual Internal Audit Report.

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

Final Audit

I agreed the statement of accounts back to annual return reports produced by the Council's accounting system, RBS. I 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 financial statements 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 31.3.19.

A clean opinion was received from external audit last year, so there are no matters to follow up as part of 2018-19 reporting. The internal audit interim report was reported to the March 2019 meeting of Full Council and properly minuted. The external audit certificate for 2017-18 was reported to the November meeting of Full Council.

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

Final Audit

Non pay expenditure in box 6 to the accounts is £580,045 (£733,800 in 2017-18). The reduction in expenditure is due to capital works at The Wilfrid Noyce Centre in 2017-18, this one off spend was not repeated in 2018-19.

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, or notification from a Government Department (Flood Defence Contributions)
- 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 confirmed that 3 quotations had been obtained in line with financial regulations (Pepperpot Works)

Transparency - the Council continues to report information required by the Transparency Code via the Council website. I confirmed that information is up to date, and that expenditure information to 31.3.19 was properly reported on the website.

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

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.

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 7 March 2019 meeting of the Full Council. Appropriate recording as separate minute of Full Council has been carried out.

The risk assessments have been reviewed and are comprehensive. There is clear evidence that they are being actively reviewed by the Council, I note that the audit committee has asked for updates from the Council's IT provider as a result of the risk assessment process.

I confirmed that the Council has followed up recommendations raised at the interim audit and that responses are appropriate. Details of the Council response are set out in Appendix A.

I am satisfied that this control objective has been met.

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.

Final Audit

I confirmed that the 2018-19 budget was approved at the Full Council meeting of January 2019.

Reserves at year end set out in box 7 to the account were £466,245 (2017/18 £412,484). Of this £263K is held in general reserves, which is 42% 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 Godalming Museum / Emerging Projects). 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

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.

Final Audit

Precept per box 2 to the accounts is £622,205 (2017-18 £570,896). I have confirmed precept income to third party notification supplied by the external auditors.

Other income per box 3 to the accounts is £382,603 (2017-18 £543,041). The decrease is largely explained by the receipt of £300k loan from Public Works Loan Board (PWLb) in May 2017, this did not occur in 2018-19.

I confirmed £52K income recorded in the sales ledger to back to third party documentation from Waverley BC – this income is a receipt due under the SLA for Godalming Museum.

I have identified no errors in my testing of income recorded in box 2 and 3 to the accounts.

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.

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

Final Audit

Staff costs per box 4 of the annual return £311,248 (2017-18 £246,718)

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 councilor.

Increase in staff costs year on year is due to the filling of a vacant post, together with staff costs from the Museum being added to the payroll.

I have identified no errors in my testing of payroll.

H. Assets and investments

Final Audit

Fixed assets per box 9 to the accounts are £1,562,282 (2017-18 £1,556,244)

I was able to reconcile the fixed asset balance per the accounts back to the fixed asset register. I have confirmed addition of 2 items to the asset register - these were correctly added at cost. I have confirmed with the RFO that no further items of expenditure requiring addition to the FAR have been purchased in year, and I have identified no fixed assets in my testing of expenditure.

I also confirmed by review of the asset register 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

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 re-performed. 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.

Final Audit

Borrowings – box 10 to the accounts £1,073,018 (£1,098,351 2017-18) I have confirmed year end borrowings to third party PWLB balances supplied to the Council by the Debt Management Office.

Cash and bank – box 8 to the accounts £484,275 (£425,887 2017-18).

I 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 be presented at the next meeting. I have reminded RFO to ensure bank statements for 31 March are sent to external audit when received from bank.

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, the explanations are comprehensive and agree back to accounting balances.

I am satisfied that this control objective has been met.

K. Trusteeship

No trusts.

L: Exercise of Public Rights - Inspection of Accounts

This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

Inspection - Key date	2017-18 Actual	2018-19 Proposed
Accounts approved at full council	April 2018 Full Council	April 25 th 2019
Date Inspection Notice Issued and how published	1 June	14 June
Inspection period begins	4 June	17 June
Inspection period ends	13 July	26 July
Correct length	Yes	yes
Common period included?	Yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

I am satisfied the requirements of this control objective were met for 2017-18, and assertion 4 on the annual governance statement can therefore be signed off by the Council. Plans are also in place to allow for inspection periods to be published and set correctly for 2018-19 accounts – the Council is planning to follow dates suggested by external audit.

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 - Interim Audit

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.	Considered at November 2018 Full Council and properly minuted
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.	Insurer has been contacted, no scope to increase insurance.
There is no money cover in the Museum insurance policy at present.	Cash and money cover on the Museum insurance policy should be reviewed	Insurance now in place at museum.

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Internal Audit Follow Up
No Further recommendations		