

**A REPORT OF THE TOWN CLERK TO  
A MEETING OF THE AUDIT COMMITTEE  
MALVERN TOWN COUNCIL**

**to be held on Wednesday 19 February 2020**

**in the Town Council Offices, Belle Vue Terrace, Malvern, at 6.00 pm**

**EVALUATION OF THE PROCEDURES PUT IN PLACE FOR INTERNET BANKING,  
THEIR EASE OF USE AND ROBUSTNESS**

**1. Purpose of Report**

- 1.1. For review and comment as necessary.

**2. Recommendation**

- 2.1. Audit Committee is asked to review and evaluate the procedures put in place for internet banking and to comment or make recommendations as necessary.

**3. Background**

- 3.1. In 2018, the Council agreed that it would change its bank account in order to enable internet banking and electronic payments.
- 3.2. Unfortunately this proved more challenging than anticipated, but in April 2019, a new bank account was opened with Unity Trust Bank. The Council's HSBC account was finally closed in December 2019 and now all transactions are carried out via the new bank account.
- 3.3. The Town Council's internal controls require that no individual staff member should have the ability to make a payment and that all payments (except salaries) require the prior authorisation of two councillors.
- 3.4. Unity Trust Bank was chosen as they offered an account for councils which has the ability to have different levels of access as well as the function to ensure two people must be involved in a payment before it can be made: one to submit the payment and the other to authorise it.
- 3.5. The current banking arrangements have two staff members who are able to view and submit payments only and then the Town Clerk who can view, submit and authorise a payment. The key point here, however, is that no one user can ever submit and authorise the same payment.
- 3.6. Each staff member has their own individual login details:
- A user name
  - Password
  - Pin code
- These are not shared with anyone else. Unity Trust Bank also hold information relating to the internet banking users which can be used as part of identity checks if required.
- 3.7. Internet banking users must also only access the online site via council computers or laptops.

- 3.8. It is noted that currently only the Town Clerk has permission to authorise payments, but their login details are kept in a sealed envelope in the Town Council safe should the need arise, in which case the Operations Manager would carry out the Town Clerk's duties in this area.
- 3.9. As part of the payment approval process, two of the Council's approved signatories as detailed on the Council's bank mandate must authorise payments. This is now done by way of a payments authorisation sheet which must be completed before officers of the Town Council make any payments.
- 3.10. A copy of an example of the payment authorisation schedule when completed is attached at appendix A. These schedules also form part of the regular financial reports which are reviewed by Policy and Resources Committee.
- 3.11. There have been a few teething issues with the change to electronic banking payments and therefore a couple of changes have already been made.
- 3.12. The payment authorisation schedule has been adapted so that all four users - the two Councillor signatories and two council officers involved - now all initial to record that they have considered, approved and processed each transaction. This eliminates the possibility of any one transaction being missed out.
- 3.13. Additionally, the Town Clerk as authorising officer also makes some random checks on the bank details of payees to double-check that they are correct. This is done when either new suppliers are paid or bank details change for existing suppliers.
- 3.14. The switch to internet banking has meant that it is easier for customers to pay via internet banking and as a result the amount of transactions with money deposited directly into the account has increased. It is important that officers keep up to date with activity on the bank account and therefore it is suggested that:
  - i. There is a login to monitor transactions at least every working day where possible
  - ii. Officers enter banking transactions onto SAGE at least once a week to keep the accounting system up to date

#### **4. Financial Implications**

- 4.1. None pertaining to this report.

#### **5. Legal Implications**

- 5.1. Section 150(s) of the Local Government Act 1972 was repealed in 2013 meaning that the Town Council can now make electronic banking payments.
- 5.2. The Town Council is required to submit an Annual Governance Statement as part of external audit requirements. Within this the Council is responsible for ensuring a sound system of internal control is in place.

End

Linda Blake  
Town Clerk

AGENDA ITEM 4  
APPENDIX A

Malvern Town Council  
Online Banking Payment Schedule  
30 August 2019

IB No.	Date	Supplier Name	Payments	Description	Record of Invoices Checked Cllr 1	Record of Invoices Checked Cllr 2	Payment Posted (initials)	Authorisation Given (initials)
163	30/08/2019	SAUCE CITY JAZZ (GEOFF SAMSOME)	MM ✓ 320.00	Bands in the Park programme 18/8/19	MM ✓	JPH ✓	DP	VJB
164	30/08/2019	POOLBROOK COMMUNITY STRING ORCHESTRA (D NEVILLE)	✓ 100.00	Bands in the Park programme 11/8/19 (MTC cancelled due to bad weather)	MM ✓	JPH ✓	DP	VJB
165	30/08/2019	FUELGENIE BUSINESS ACCOUNT	JFT ✓ 566.85	Fuel account July 2019	MM ✓	JFT ✓	DP	VJB
166	30/08/2019	JANET FINCH	✓ 33.00	Organist fees 1 x funeral 16/8/19	MM ✓	JFT ✓	DP	VJB
167	30/08/2019	LAVAT CONSULTING LTD	JFT ✓ 300.00	Vat Forum membership fees 2019/20 as agreed at Annual Council	MM ✓	JFT ✓	DP	VJB
168	30/08/2019	LYNDSEY DAVIES	✓ 30.00	Reimbursement of money paid for 2 tickets for the Bloom awards ceremony	MM ✓	JFT ✓	DP	VJB
169	30/08/2019	NOMIX ENVIRO	MM ✓ 360.11	2 Dual, 4 Hilite and 1 cleaner (weedkiller)	MM ✓	JFT ✓	DP	VJB
170	30/08/2019	NPOWER	✓ 31.46	Electricity charges Dukes Meadow 26/4/19 - 2/8/19	MM ✓	JFT ✓	DP	VJB
172	30/08/2019	P&R ALARMS	✓ 9.12	Alarm fob for tenant of groundfloor shop	MM ✓	JFT ✓	DP	VJB
173	30/08/2019	R D HORNE	MM ✓ 115.00	Re-building of manhole cover at Lower Howsell	MM ✓	JFT ✓	DP	VJB
174	30/08/2019	TCS LTD	JFT ✓ 127.68	Monthly email exchange for staff and councillors	MM ✓	JFT ✓	DP	VJB
175	30/08/2019	PURCHASE POWER	✓ 100.00	£100 credit for the franking machine	MM ✓	JFT ✓	DP	VJB
176	30/08/2019	SARAH MARTYN ACOUSTIC DUO (MARTYN PHILLIPS)	✓ 200.00	Alternative bands in the Park performance Priory Park 17/8/19	MM ✓	JFT ✓	DP	VJB

Bank details checked

Bank details checked

Bank details checked

Total Cheque Payments:

2,293.22

Councillor Authorisation for Payment

1) M. N. / O. H. 29.8.19.

2) Frank Thomas 29-8-19.

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**WORK PLAN FOR INTERNAL AUDITOR 2019/20 to 2021/22**

**1. Purpose of Report**

1.1. For decision.

**2. Recommendation**

2.1. The Committee is asked to agree the work plan for the Council's Internal Auditor (see Appendix A).

2.2. The Internal Auditor should complete an overview of each of the control objectives every year and be asked to look at three areas in detail each year. Two of these areas are included in the work plan and the third should be randomly selected by the internal auditor. Objectives K and L should be looked at every year.

**3. Background**

3.1. The Internal Auditor is required to carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during each financial year. This assessment is divided into 12 relevant internal control objective headings which are listed on the Council's Annual Return. It is not possible for the Internal Auditor to carry out an in-depth assessment of every heading every year and therefore the work plan allows the Council to ensure that each area will be adequately assessed over a five-year period.

3.2. Two internal control objectives will be assessed in depth every year as detailed in Appendix A. The Internal Auditor will then be asked to select a third area to look at each year as this will ensure that independence and objectivity are maintained.

3.3. Objectives K and L were introduced in 2018/19 and as they are a simple check of compliance, should be looked at every year.

3.4. The Council's Internal Auditor must act independently to draw conclusions as to whether the control objectives in the Annual Return are being achieved to an adequate standard. The Council therefore employs an external contractor being both qualified and independent to carry out this work and present a report to Audit Committee in May/June of each year.

3.5. Members will note that in 2019 the internal audit contract was extended by a further three years to include the financial years in 2019/20, 2020/21 and 2021/22.

**4. Financial Implications**

4.1. The internal audit budget for 2019/20 is £1,800.

**5. Legal Implications**

**AGENDA ITEM 5**  
**AC02/20**

- 5.1. The Accounts and Audit Regulations 2015 state that a council with income or expenditure over £200,000 but less than £6.5 million per annum is subject to an intermediate level review by the external auditor.
- 5.2. The Accounts and Audit Regulations 2015 also state that a 'relevant' authority must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes.
- 5.3. The internal auditor is required to complete and sign page 3 of the Annual Governance and Accountability Return to confirm whether the internal control objectives have been achieved. The AGAR must then be approved by Full Council no later than 30 June.

End

Linda Blake  
Town Clerk

**AGENDA ITEM 5  
APPENDIX A**

	<b>TIMETABLE FOR INTERNAL AUDITOR</b>	2019/20	2020/21	2021/22
A	Appropriate accounting records have been kept properly throughout the financial year.			
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			
C	This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.			
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.			
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.			
H	Asset and investments registers were complete and accurate and properly maintained.			
I	Periodic and year-end bank account reconciliations were properly carried out.			
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.			
K	If the authority certified itself as exempt from a limited assurance review in the previous year, it met the exemption criteria and correctly declared itself as exempt (all three years).			
L	During the previous summer, this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations (all three years).			
M	Trust funds (including charitable) - the council met its responsibilities as a trustee.	Not applicable		

In depth review of control objective  
 overview of control objective