



# **MALVERN TOWN COUNCIL**

**AUDIT COMMITTEE**

**REPORTS**

**13 OCTOBER 2021**

**6.00 PM**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
MALVERN TOWN COUNCIL**

**held on Tuesday 8 June 2021**

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

**Councillors**

Present

C Palmer

C Bovey

L Lambeth

D Watkins

**In attendance**

Cllr Nick Houghton - Mayor

Chris Boyd, Internal Auditor

Linda Blake – Town Clerk

Louise Wall – Minute Clerk

Cllr Aidan Stitt

Absent

S Taylor (apologies)

**1. ELECTION OF CHAIRMAN**

Cllr Cynthia Palmer was elected Chairman of the Audit Committee for 2021/22.

**2. ELECTION OF VICE-CHAIRMAN**

Cllr Caroline Bovey was elected Vice-Chairman of the Audit Committee for 2021/22.

**3. APOLOGIES FOR ABSENCE**

Apologies for absence received from Cllr S Taylor were noted.

**4. DECLARATIONS OF INTEREST**

None.

**5. MINUTES OF PREVIOUS MEETING**

It was **RESOLVED** that the minutes of the following meeting be approved and adopted as a correct record of the proceedings, and these were signed by the Chairman:

- Audit Committee meeting held on 19 November 2020.

**PUBLIC PARTICIPATION**

None.

**6. ANNUAL INTERNAL AUDIT REPORT – FINANCIAL YEAR ENDING 31 MARCH 2021**

Report AC01/21 was received and committee noted the internal audit work that had been undertaken during the 2020/21 financial year.

Mr Chris Boyd from Boyds Chartered Accountants described how the financial year had started with the ransomware attack on the computer system but that this had soon been rectified with a fast re-input of data and a recent backup copy. Following a change to the entire IT structure, there was now a more intensive back up in place should there be any problems in the future. He then explained that this was his last year as internal auditor as he intended to retire soon. Mr Boyd outlined the

main details of his report, and informed committee that he was pleased to be able to give another clean audit report, for 2020/21. He then invited questions from those present regarding his internal audit report.

The report had recommended a more frequent bank reconciliation, especially important at times when many invoices are being issued and money being paid in, such as when the allotment invoices are sent out.

Members questioned Mr Boyd over his recommendation to continue using SAGE rather than updating to a new system. He explained that officers were accustomed to the current system and there seemed little point in changing something that worked well. He pointed out that if there was any financial information the councillors required - in addition to that provided with the accounts - then they were entitled to, and should, ask for this. Backups also take place regularly and are stored on the cloud, as with other council files.

It was **AGREED** that the current use of SAGE and the backing up of its data would be continued for a further year and then be reviewed by the Audit Committee.

It was **RECOMMENDED** that the Internal Audit Report 2020/21 of the Council's Internal Auditor be accepted and forwarded to the next meeting of Full Council for approval.

7. **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL**

Report AC02/20 was received and accepted.

The Town Clerk confirmed that the following works had been carried out during the 2020/21 financial year as per the agreed timetable:

- Review of events budget for 2021/22
- Review of purchase order control system
- Review of internal controls in processing invoices for payment
- Review of petty cash procedure

The Internal Auditor noted that he was satisfied with the work the committee had completed. It was unknown what the External Auditor may ask for to check, and it was good that there was a record of these reviews being carried out.

Committee **NOTED** the work carried out and **RECOMMENDED** that Council should agree that a satisfactory review of the systems on internal control had been completed during 2020/21.

8. **INTERNAL AUDIT COMMITTEE – WORK PLAN 2021/22**

The Internal Auditor had identified that reserve funds were quite high, and the committee could look at whether these funds could be reappropriated. Further to this is the proposed redevelopment of Victoria Park pavilion which could require substantial funding.

After discussion, it was **AGREED** that the following would form the work plan 2021/22 for the Audit Committee:

- A review of the use of SAGE as an accounting system
- A review of the events budget following the possible cancellation of events for a second year running
- A review of the process for invoicing customers
- A review of internet banking processes
- A review of the Council's credit control processes and controls

The Chairman thanked Mr Boyd for his excellent work and support during his time as Internal Auditor and wished him well for his retirement.

The Chairman also thanked the Town Clerk and Finance Officer for their diligence in keeping the financial records.

It was **AGREED** that the Town Clerk would begin looking for a replacement Internal Auditor straightaway.

9. **DATE OF NEXT AUDIT COMMITTEE MEETING**

It was **AGREED** that the next meeting of the Audit Committee would be on Wednesday 18 August 2021 at 6.00 pm.

The meeting ended at 6.40 pm.

.....  
(Chairman)

DRAFT

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

**to be held on Wednesday 13 October 2021**

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

**APPOINTMENT OF INTERNAL AUDITOR**

**1. Purpose of Report**

1.1. For decision.

**2. Recommendation**

2.1. Audit committee is asked to make a recommendation for the appointment of a new internal auditor.

**3. Background**

3.1. Members should note that an internal auditor was first appointed in 2008 as a result of recommendations and guidance from the audit commission.

3.2. The Annual Governance and Accountability Return (AGAR) which must be completed as part of the Council's external audit, is made up of three parts. The Annual Internal Audit Report which is page 3 of the return must be completed by the authority's internal auditor.

3.3. The internal auditor should act independently and on the basis of risk, carry out a selective assessment of compliance with the relevant procedures and controls in operation and obtain appropriate evidence.

3.4. Assessment is required over fifteen specific control objectives, listed on page 3 of the AGAR (see Appendix A). The internal auditor is now asked to complete an overview of each of the control objectives every year, looking at four of these in detail on an agreed programme of work.

3.5. The current Internal Auditor's contract has now come to an end, as a result of retirement and therefore, the council need to appoint a replacement.

3.6. An invitation to tender was sent to a number of audit firms with the work requirements set out as follows.

- i. Visit to the Town Council offices on at least two days per annum to carry out on-site assessments and speak to Finance staff. These days must be within the financial year being audited.
- ii. Submission of a written annual internal audit report as a summary of the audit work. This report is to be presented to a meeting of the Council's audit committee held in May/June at which the Internal Auditor should be present.
- iii. Completion of the Annual Internal Audit Report on page 3 of the AGAR in line with the annual statutory deadlines and the Town Council's meeting dates.

iv. Complete a light touch review of the Council's Annual Financial statements each year.

3.7. Four internal auditors were approached for quotes. One firm declined to tender and therefore three responses were received as detailed in the table below.

Company	Price Per Annum	Days Included	Relevant Comments
A	£2,000	3	Quotation of price only with more detail to follow if successful.
B	£1,725	3, but more days will be spent on site in the first year to gain a better understanding of systems and control arrangements.	Specialist provider to Parish and Town Councils.
C	£1,155	3	Firm have been providing internal audit services to Town and Parish Council's for more than 5 years and now audit over 150 Town and Parish Councils.

3.8. The new contract includes work on the 2021/22 financial year and therefore it is envisaged that work will commence in early 2022.

**4. Financial Implications**

4.1. A budget of £1,650 has been included for Internal Audit in 2021/22.

4.2. The budget for 2022/23 will be set on the basis of which auditor is engaged.

**5. Legal Implications**

5.1. The Accounts and Audit Regulations require that Malvern Town Council must undertake an effective Internal Audit.

5.2. An independent and competent person should carry out the internal audit, provide an assessment of the adequacy and effectiveness of the Authority's system of Internal Control and complete the Annual Internal Audit report on page 3 of the Annual Return.

End

Linda Blake  
Town Clerk

## Annual Internal Audit Report 2020/21

ENTER NAME OF AUTHORITY

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in **accordance** with this authority's needs and planned **coverage**. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the **objectives** of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
<b>A.</b> Appropriate accounting records have been properly kept throughout the financial year.			
<b>B.</b> This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			
<b>C.</b> This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			
<b>D.</b> The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.			
<b>E.</b> Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.			
<b>F.</b> Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
<b>G.</b> Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.			
<b>H.</b> Asset and investments registers were complete and accurate and properly maintained.			
<b>I.</b> Periodic bank account reconciliations were properly carried out during the year.			
<b>J.</b> 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.			
<b>K.</b> If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")</i>			
<b>L.</b> If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.			
<b>M.</b> The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .			
<b>N.</b> The authority has complied with the publication requirements for 2019/20 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .			
<b>O. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

ADMINISTRATOR    ADMINISTRATOR    ADMINISTRATOR    ENTER NAME OF INTERNAL AUDITOR

Signature of person who carried out the internal audit

SIGNATURE REQUIRED

Date

SIGNATURE

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

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A MEETING OF THE AUDIT COMMITTEE  
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**to be held on Wednesday 13 October 2021**

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**REVIEW OF TOWN COUNCIL EVENTS BUDGET 2022/23**

**1. Purpose of Report**

1.1. For review.

**2. Recommendation**

2.1. Committee is asked to consider and review the Events Budget for 2022/23 taking into consideration the underspend from this year's events schedule.

**3. Background**

3.1. At the Audit Committee meeting held in June 2021, a work plan for 2021/22 was agreed. As part of this, committee wished to review the Council's Events Budget, taking into consideration the underspend from this year's event schedule.

3.2. A table has been included at Appendix A detailing the original events budget for 2021/22 alongside the anticipated expenditure.

3.3. Committee members will note that events for the current year have either had to be cancelled or scaled back from their normal level and therefore expenditure is expected to be approximately £15,000 under budget.

3.4. As we have progressed through the year, social distancing regulations have been relaxed and the Council have been able to return to a more normal programme of events. Whilst next year remains an unknown, in terms of the pandemic, officers would recommend that the budget for 2022/23 allows, for a full programme of events.

**4. Financial Implications**

4.1. The Events Budget for 2021/22 was set at £58,325. Actual expenditure will be lower than this at an anticipated £43,435.

**5. Legal Implications**

5.1. Malvern Town Council has a duty of care to its staff, suppliers, councillors, volunteers, and members of the public. All events must be fully risk-assessed to ensure that any risk are minimised.

5.2. The Town Council must comply with government guidelines and restrictions relating to coronavirus at all times.

End

Linda Blake  
Town Clerk



<b>Event</b>	<b>Budget 2021/22</b>	<b>Anticipated expenditure 2021/22</b>
Bands in the Park	£8,000	£2,457
Alternative Bands in the Park	£3,500	£830
Town Crier	£300	Nil
Mayor's Bonanza	£4,500	£6,998 (additional expenditure agreed due to change of venue)
Christmas Lights Switch On	£5,500	£5,500
New Christmas Lights	£5,000	£4,750
Christmas Window	£275	£100
Remembrance	£500	£500
Other Christmas	£13,900	£13,900
Malvern in Bloom	£8,500	£6,750
Chairman's Charity Walk	£2,500	Nil

AGENDA ITEM 5  
APPENDIX A

Rosebank Gardens Health & Wellbeing	£1,200	Nil
Armed Forces Day	£3,500	Nil
Earth Day	£500	£1,000
Other miscellaneous	£650	£650
<b>TOTAL</b>	<b>£58,325</b>	<b>£43,435</b>

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**TOWN COUNCIL INVOICING PROCEDURE**

**1. Purpose of Report**

- 1.1. For review and comment where necessary.

**2. Recommendation**

- 2.1. Committee is asked to consider and review the current procedure in place for invoicing Town Council customers.

**3. Background**

- 3.1. Details of the current procedures are included in the points listed below. Audit committee are asked to review the robustness of this system and to make comments as relevant.
- 3.2. An invoicing checklist exists as a guide to when invoices need to be issued for Town Council services. This is regularly updated by the Finance Officer (see Appendix A).
- 3.3. Funeral invoices are issued as and when funerals are booked. A number of regular funeral directors operate on a monthly account basis and are invoiced at the end of each month. Other funerals including private bookings must be paid for before the funeral and invoices are created upon request.
- 3.4. Fees for memorial applications must be paid when the application is submitted, with invoices created retrospectively.
- 3.5. Invoices for the booking of sports facilities are issued in August and December for football and May for rounders. Payments must be received ahead of the start of each period of bookings.
- 3.6. Allotment invoices are issued in January of each year and relate to the period nine months in areas and three months in advance. Invoicing for allotment rents used to be rather complicated and a new system is due to take effect from January 2022. This simplifies the previous system by removing the 10% discount and giving allotment holders 15 days to pay before a £25 late payment fine is imposed.
- 3.7. There are other invoices, some issued monthly, some quarterly and others once a year. The invoice processing checklist provides a guide and aide-memoire for this.
- 3.8. The Finance Officer will input sales invoices into SAGE and review debtors to ensure that invoices are paid on time. Policy and Resources committee also receive regular financial reports which contain details of debtor amounts and debtor days.

**4. Financial Implications**

- 4.1. The level of income expected is included in the annual budget for each year and a surplus/deficit against anticipated income can affect the outturn against budget for the year.

**5. Legal Implications**

- 5.1. The Annual Internal Audit report as part of the AGAR includes a section about expected income being fully received, based on correct prices, properly recorded, and promptly controlled. A robust procedure with internal controls is therefore important.

End

Linda Blake  
Town Clerk





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**INTERNET BANKING REVIEW**

**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 current procedures 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 and after a few initial issues a new account was opened with Unity Trust Bank in April 2019.

3.2. Unity Trust Bank was chosen as they offered an account for Council with the ability to have different levels of access as well as the required function to ensure two people must be involved in a transaction before it can be made.

3.3. A summary of the Town Council's internet banking procedures is attached at Appendix A to this report for review and comment.

**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, allowing Town Council to make electronic banking payments.

5.2. The Town Council is required to submit an Annual Governance and Accountability Return as part of the external statutory audit requirements. Within this, the Annual Governance Statement looks at the maintenance of an adequate system of internal control and measures designed to prevent and detect fraud and corruption and their effectiveness.

End

Linda Blake  
Town Clerk

## INTERNET BANKING PROCEDURES

1. The Town Council operate an online bank account with Unity Trust Bank.
  2. Two members of Town Council staff are able to view transactions online and also submit payments ready for authorisation. The Town Clerk can view payments, submit payments, and also authorise payments. No one user can submit and authorise the same payment, it requires two separate users before a payment can be made.
  3. Each staff member has their own individual login details consisting of;
    - A username
    - Password
    - Pin code
- These are not shared with anyone else. Unity Trust also hold information relating to the internet banking users which forms part of identity checks if required. Telephone verification is also used from time to time.
4. Internet banking users must only access the online banking service via Council computers or laptops.
  5. In order to keep up to date with activity on the online bank account. Finance Officer should ensure that the following is carried out;
    - Where possible there should be a daily login to view and monitor transactions.
    - Banking transactions should be entered onto the SAGE accounting package at least once a week to keep the accounting system up to date.
    - Where possible weekly bank reconciliations should be carried out, with a printed record saved on file.
  6. Unity Trust Bank also hold details of approved signatories as part of the Bank Mandate. These are agreed councillor representatives and two of these approved signatories must authorise all payments, cheques, direct debit mandates and changes to the Council's online banking arrangements.
  7. Most payments are now made by way of electronic banking payments. A payment authorisation schedule is completed for each set of payments made. The payment authorisation schedule requires four users, the two councillor signatories, the officer submitting payments and the Town Clerk – all to initial to record that they have considered, approved, and processed each transaction.
  8. When councillors approve the authorisation schedule, they should carry out additional checks on a selection of payments to ensure that the payee, amount, and details match the invoice. The Town Clerk is also responsible for carrying out checks on bank account details, should a new supplier require payment or a change in banking details occur.
  9. It is noted that currently only the Town Clerk has permission to authorise payments, but login details are secured in a safe place should the need arise for the Operations Manager to carry out the Town Clerk's duties in this area.
  10. The above procedure is designed as a method of internal control to ensure that no officer, nor councillor has the ability to submit or approve payments individually and that no single user can submit and or authorise the same payment.