



MALVERN TOWN COUNCIL

AUDIT COMMITTEE

REPORTS

**For meeting on Tuesday 29 March 2022
at 6.00 pm**

MALVERN TOWN COUNCIL

Town Clerk
28-30 Belle Vue Terrace
Malvern
Worcs
WR14 4PZ



22 March 2022

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MEETING OPEN TO MEMBERS OF THE PUBLIC

To All Members of the Audit Committee (quorum 3):

Councillors C Palmer (Ch), C Bovey (V-Ch), L Lambeth, , S Taylor, D Watkins

All other Members of the Town Council for information only

You are hereby invited to attend a meeting of the **Audit Committee** on **Tuesday 29 March 2022 in the Council Chamber, Belle Vue Terrace, Malvern commencing at 6.00 pm** for the transaction of the business shown on the Agenda below.

Handwritten signature of Linda Blake in black ink.

Linda Blake
Town Clerk

No.	Agenda Item
1.	Apologies for Absence ➤ To receive apologies for absence
2.	Declarations of Interest ➤ To receive declarations of pecuniary interests and other disclosable interests
3.	Minutes of Previous Meeting To receive and confirm as a correct record the minutes of previous Audit Committee meeting and the minutes to be signed by the Chairman ➤ 13 October 2021 (previously circulated)
Public Participation <i>The Meeting will be adjourned for public participation when the Chairman will invite members of the public to present their questions, statements or petitions submitted under the Council's Public Participation Procedure.</i>	
4.	Internal Auditor - work programme and progress to date ➤ Verbal update
5.	Review of the Council's Credit Control Processes and Controls ➤ Report AC01/22 to follow
6.	Review of the use of SAGE as an accounting system ➤ Report AC02/22 to follow
7.	Review of payment terms for Town Council suppliers ➤ Report AC03/22 to follow
8.	Date of next Audit Committee meeting ➤ 8 June 2022

MINUTES OF A MEETING OF THE AUDIT COMMITTEE
MALVERN TOWN COUNCIL
held on Wednesday 13 October 2021
in the Council Chamber, Belle Vue Terrace, Malvern at 6.00 pm

Councillors

Present

C Palmer

C Bovey

L Lambeth

S Taylor

Absent

D Watkins (apologies)

In attendance

Linda Blake – Town Clerk

Louise Wall – Minute Clerk

10. APOLOGIES FOR ABSENCE

Apologies for absence received from Cllr D Watkins were noted.

11. DECLARATIONS OF INTEREST

None.

12. 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 8 June 2021.

PUBLIC PARTICIPATION

None.

13. APPOINTMENT OF INTERNAL AUDITOR

Report AC01/21 was received and accepted.

Members noted that Chris Boyd had retired after many years working with the Town Council and a tender process had been carried out to select suitable possible replacements.

The Town Clerk informed members that during Chris Boyd's first year he had taken extra time to get to know the Town Council's systems and procedures, which had proved most useful, and this was an important consideration for a new company in the future. Three companies had submitted tenders.

Members felt that company A had not included enough detail and as the most expensive should be disregarded.

B and C both demonstrated experience with town councils but there was concern whether company C would be able to provide enough time for the audit requirements within its price.

It was **AGREED** therefore that Company B was the preferred choice and that the budget for 2022/23 should be increased from £1,650 to £2,000 to cover the extra cost of the auditor as well as any other extra time required in the first year.

14. REVIEW OF TOWN COUNCIL EVENTS BUDGET

Report AC02/21 was received and reviewed.

The Town Clerk explained any variances in the budget for events 2021/22 and the anticipated expenditure. Members were reminded that an underspend of £15,000 from 2020/21 had been carried forward to the current year, but that this in turn had not all been spent as some events had been cancelled for a second year.

It was **RECOMMENDED** that the underspend from this year's event schedule of approximately £15,000 should be carried forward to 2022/23.

15. TOWN COUNCIL INVOICING PROCEDURE

Report AC03/21 was received and reviewed.

The Town Clerk explained to members that the checklist acted as a reminder to the finance officer so that invoices were not forgotten. These included leases and building rental invoices, grounds maintenance and sports facilities, some of which are invoiced monthly and others either quarterly or six-monthly.

It was **RECOMMENDED** that no changes should be made to the current procedure for invoicing Town Council customers as it was satisfactory.

16. INTERNET BANKING REVIEW

Report AC04/21 was received and reviewed.

The Town Clerk reported that since internet banking had commenced in 2018, the procedure for checking the payment schedule had been modified and improved to ensure accuracy and had taken into account suggestions from the internal auditor, such as more frequent bank reconciliations.

Committee **RECOMMENDED** that the current procedures should remain in place for internet banking and were both sufficient and robust.

17. DATE OF NEXT AUDIT COMMITTEE MEETING

It was **AGREED** that the next meeting of the Audit Committee would be on Wednesday 16 February 2022 at 6.00 pm.

The meeting ended at 6.50 pm.

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(Chairman)

**A REPORT OF THE TOWN CLERK TO
A MEETING OF THE AUDIT COMMITTEE
MALVERN TOWN COUNCIL
to be held on Tuesday 29 March 2022
in the Town Council Chamber, Belle Vue Terrace, Malvern, at 6.00 pm**

REVIEW OF THE COUNCIL'S CREDIT CONTROL PROCESSES AND CONTROLS

1. Purpose of Report

1.1. For decision.

2. Recommendation

2.1. Committee is asked to consider and review the current procedure in place for the Council's credit control processes and controls.

3. Background

3.1. The Town Council target for debtor days is thirty and performance against this is monitored by the regular CR1 financial reports submitted to Policy and Resources Committee.

3.2. Officers use an invoice processing checklist as a guide to regular invoicing required and this spreadsheet also contains information on the payment terms applicable to each invoice.

3.3. Debtor reports generated from SAGE are used to monitor any outstanding invoices and bad debtors. Action can then be taken to recover amounts as necessary.

3.4. Certain procedures are in place to help assist and safeguard against non-payment, these include:

- Allotment deposits taken at the beginning of tenancies which can be used to offset any outstanding amounts at termination.
- Payment ahead of service provision for items such as sponsorship, hanging baskets, private funerals.
- Accounts being put on stop in the event of non-payment by funeral directors or football teams.
- Clauses in leases for non-payment of rental from tenants.

3.5. Failure to pay invoices on time will result in the following processes being implemented:

- i. Firstly, an email or telephone call to enquire about reasons for non-payment and request that the debit is paid.
- ii. An official letter requesting payment by a specified date and detailing what action will be taken if the debt remains unpaid.
- iii. Termination of agreement/supply or contract.

- 3.6. In certain situations, bad debts must be written off as they become unrecoverable. This is particularly the situation with smaller debts as the action that can be taken will be limited. Larger amounts can be pursued via legal action, making a court claim or by using a mediation service.

4. Financial Implications

- 4.1. The level of income expected is included in the annual budget for each year and failure to collect income can affect the outturn against budget for the year.
- 4.2. Financial regulations state that the RFO can write off debts up to a figure of £100 per debt providing that these are considered irrecoverable and are reported to the next meeting of Policy and Resources Committee. Amounts above £100 must be referred to Policy and Resources Committee for decision.

5. Legal Implications

- 5.1. The Annual Internal Audit report as part of the AGAR includes a section about expected income being fully received. A robust procedure with internal controls is therefore important.

End

Linda Blake
Town Clerk

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REVIEW OF THE USE OF SAGE AS AN ACCOUNTING SYSTEM

1. Purpose of Report

- 1.1. For review and comment where necessary.

2. Recommendation

- 2.1. Committee is asked to consider and review the use of SAGE as an accounting system.

3. Background

- 3.1. The Town Council began using SAGE as an accounting system in 2005. Two Town Council officers have access to and regularly use this accounting package.
- 3.2. In January 2021, the Town Council's IT equipment and IT systems were all updated with the council moving to an online office solution utilising Office 365 for its infrastructure requirement. This excluded the accounting package which has continued with SAGE.
- 3.3. Advice given by the Town Council's new IT contractor Quintech was that the use of SAGE cloud accounting could cause problems with the syncing/updating of data when more than one user was regularly inputting data into the accounting package.
- 3.4. The recommendation was that SAGE data should be installed and kept on a primary user's laptop, the secondary user could then access the data providing that the primary laptop was plugged into the council's IT system within the office.
- 3.5. The benefit of this system is that the Town Clerk/RFO can have the SAGE data on their laptop and also work from home when necessary. The drawback to the system is that the Finance Officer can only use SAGE when they are within the town council offices and the primary user's laptop is plugged in.
- 3.6. Other accounting packages could be investigated, but at present council officers are fully trained and proficient in SAGE.
- 3.7. The internal auditor commented in their report from June 2021 that SAGE does the job perfectly adequately and is liked and understood by in-house staff.

4. Financial Implications

- 4.1. SAGE support for the accounting package is currently charged at £167.40 per month.

5. Legal Implications

- 5.1. The Annual Internal Audit Report as part of the AGAR states that the council must have appropriate accounting records which are properly kept throughout the financial year.

End

Linda Blake
Town Clerk

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REVIEW OF PAYMENT TERMS FOR TOWN COUNCIL SUPPLIERS

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 payment of Town Council suppliers.

3. Background

- 3.1. The Town Council target for payment of suppliers is within thirty days and performance against this target is monitored by the regular CR1 financial reports submitted to Policy and Resources Committee.

- 3.2. Generally speaking, payment times are less than thirty days and closer to twenty days. This reflects a commitment to pay individual suppliers within their stated payment terms, particularly local, smaller contractors where cash flow may be more critical to their businesses.

- 3.3. Supplier payment terms vary greatly and include the following:

- Net monthly i.e. the invoice is due for payment at the end of the month following the date of invoice
- 30 days
- 14 days
- 7 days
- Immediately on receipt of invoice

- 3.4. Town Council officers prepare internet payment runs normally every two weeks, so it is difficult to comply with very short payment terms.

- 3.5. The current Town Council policy is to pay suppliers within 30 days unless their payment terms are shorter than this, in which case officers aim to pay suppliers as close to their payment terms as possible.

- 3.6. Most payments are still made by officers using internet banking although some payments are taken using direct debits, thus allowing the supplier to control the payment term.

4. Financial Implications

- 4.1. The Town Council receives its precept from Malvern Hills District Council in two halves each year, therefore as an organisation the council is not subject to the cashflow pressures that a business would be.

5. Legal Implications

- 5.1. The Town Council is required to put in place arrangements for effective financial management during the year.

End

Linda Blake
Town Clerk