



# **MALVERN TOWN COUNCIL**

## **AUDIT COMMITTEE**

### **REPORTS**

**For meeting on Wednesday 8 June 2022  
at 6.00 pm**

# MALVERN TOWN COUNCIL

Town Clerk  
28-30 Belle Vue Terrace  
Malvern  
Worcs  
WR14 4PZ  
Tel: 01684 566667



31 May 2022

[townclerk@malvern-tc.org.uk](mailto:townclerk@malvern-tc.org.uk)  
[www.malverntowncouncil.org](http://www.malverntowncouncil.org)

## MEETING OPEN TO MEMBERS OF THE PUBLIC

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

Councillors C Bovey, L Lambeth, D Mead, C Palmer, 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 Wednesday 8 June 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.

A handwritten signature in black ink, appearing to read 'L. J. Blake'.

**Linda Blake**  
**Town Clerk**

No.	Agenda Item
1.	<b>Election of Chairman</b> ➤ To elect a Chairman of the Audit Committee for 2022/23
2.	<b>Election of Vice-Chairman</b> ➤ To elect a Vice-Chairman of the Audit Committee for 2022/23
3.	<b>Apologies for Absence</b> ➤ To receive apologies for absence
4.	<b>Declarations of Interest</b> ➤ To receive declarations of pecuniary interests and other disclosable interests
5.	<b>Minutes of Previous Meeting</b> To receive and confirm as a correct record the minutes of previous Audit Committee meeting and the minutes to be signed by the Chairman ➤ 29 March 2022 (previously circulated)
<b>Public Participation</b> <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>	
6.	<b>Annual Internal Audit Report – Financial Year ending 31 March 2022</b> ➤ Report AC01/22 (to follow)

<b>7.</b>	<b>Review of the effectiveness of the system of Internal Control</b> ➤ Report AC02/22 (to follow)
<b>8.</b>	<b>Internal Audit Committee – Work Plan 2022/23</b> To consider and agree a timetable and programme of works to be carried out by Internal Audit Committee members ➤ Suggestions by committee members and internal auditor
<b>9.</b>	<b>Date of next Audit Committee Meeting</b> ➤ Wednesday 10 August 2022

UNADOPTED  
**MINUTES OF A MEETING OF THE AUDIT COMMITTEE**  
**MALVERN TOWN COUNCIL**  
**held on Tuesday 29 March 2022**  
**in the Council Chamber, Belle Vue Terrace, Malvern at 6.00 pm**

**Councillors**

Present

C Palmer

C Bovey

L Lambeth

P Smith (substitute for D Watkins)

Absent

S Taylor (apologies)

D Watkins (apologies)

**In attendance**

Linda Blake – Town Clerk

Louise Wall – Minute Clerk

**18. APOLOGIES FOR ABSENCE**

Apologies for absence received from Cllr S Taylor and D Watkins were noted. Cllr Watkins had substituted Cllr Peter Smith.

**19. DECLARATIONS OF INTEREST**

None.

**20. 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 13 October 2021.

**PUBLIC PARTICIPATION**

None.

**21. INTERNAL AUDITOR – WORK PROGRAMME AND PROGRESS TO DATE**

The Town Clerk informed members that the new internal auditor Duncan Edwards had now started his work and spent two days in the office and at the cemetery, learning about the Town Council's procedures. He had also met with Cllr Palmer and Cllr Hooper, Chair of Audit Committee and Chair of Policy and Resources Committee respectively, and is due to meet again with the Town Clerk soon.

In past years, the previous internal auditor had been asked to look at three areas from the internal audit checklist in detail with an overview of the remaining areas. Mr Edwards has chosen to look at all areas in detail as this is his first year working with the Town Council.

Following completion of his final day's visit and compliance checks, a report will be compiled and presented to the June meeting of Audit Committee.

**22. REVIEW OF THE COUNCIL'S CREDIT CONTROL PROCESSES AND CONTROLS**

Report AC01/22 was received.

Members reviewed the current procedure in place for the Council's credit control processes and controls and noted the procedures in place to ensure payments are received promptly.

**UNADOPTED**

It was **RECOMMENDED** that no changes should be made to the current credit control processes and controls as they were satisfactory.

**23. REVIEW OF THE USE OF SAGE AS AN ACCOUNTING SYSTEM**

Report AC02/22 was received.

Members reviewed the use of SAGE as an accounting system and noted that whilst there were some issues with remote working, staff were familiar with and competent in the use of SAGE.

It was **RECOMMENDED** that the SAGE Accounting System should be used for a further twelve months and then reviewed again.

**24. REVIEW OF PAYMENT TERMS FOR TOWN COUNCIL SUPPLIERS**

Report AC03/22 was received.

Members reviewed the current procedure in place for the payment of Town Council suppliers and noted that efforts were made to pay suppliers in line with their payment terms, even if this is below the overall target of thirty days.

It was **RECOMMENDED** that no changes should be made to the current payment terms for suppliers as it is satisfactory.

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

It was **AGREED** that the next meeting of the Audit Committee would be on Wednesday 8 June 2022 at 6.00 pm.

The meeting ended at 6.30 pm.

.....  
(Chairman)

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

**to be held on Wednesday 8 June 2022**

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

**ANNUAL INTERNAL AUDIT REPORT  
FINANCIAL YEAR ENDING 31 MARCH 2022**

**1. Purpose of Report**

- 1.1. For decision.

**2. Recommendation**

- 2.1. Committee is asked to note the Internal Audit work that has been undertaken during the 2021/22 financial year.
- 2.2. Committee is asked to receive and accept the report of the Council's Internal Auditor as attached at Appendix A and forward it to the next meeting of Full Council for approval.

**3. Background**

- 3.1. Malvern Town Council has gross income and gross expenditure of above £200,000 and less than £6.5 million per annum and therefore requires an Intermediate Limited Assurance Level Review.
- 3.2. PKF Littlejohn LLP has been appointed as the external auditor for Malvern Town Council for a five-year period from 2017/18. 2021/22 is the final year in this five-year contract period.
- 3.3. The Council is required to have its accounts audited by an independent person before the accounts are submitted to the external auditor. The contract for Internal Audit was put out for tender in August 2021 and following a meeting of the Council's Audit Committee in October 2021, Duncan Edwards of DKE Audit Services was appointed as the Council's new internal auditor on an initial two-year contract, with a further three years to be negotiated if both parties are happy to continue the arrangement.
- 3.4. During the previous internal audit contract, the auditor had been asked to look at three areas from the internal audit checklist in depth, and to carry out an overview or light touch review of the remaining areas. Mr Edwards has chosen to look at all areas in detail during his first year, although certain areas have been identified within his report for further scrutiny during the second year.
- 3.5. The internal auditor has spent time with Town Council staff over three days both in the office and at the cemetery to learn about and test the Council's procedures and controls.
- 3.6. The Internal Auditor's report for 2021/22 is attached at Appendix A.
- 3.7. The Internal Auditor has also completed the Annual Internal Audit Report which is page 3 on the Annual Governance and Accountability Return (AGAR).

- 3.8. The AGAR will be sent once fully completed and agreed by Council, along with supporting documentation to the External Auditor, no later than Friday 1 July 2022. Committee is asked to note that the report submitted by the Internal Auditor was, from 2017/18, added to the list of documents for review by the External Auditor.
- 3.9. It should also be noted that Internal Audit must be in place during the year under review and Mr Edwards has carried out his work between February and April 2022.

**4. Financial Implications**

- 4.1. The cost of Internal Audit at £1,725 will be £725 above the Council's Internal Audit Budget for 2021/22. The budget has been increased for 2022/23.

**5. Legal Implications**

- 5.1. The Accounts and Audit Regulations 2015 state that a Council with gross income and/or gross 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, Regulation 5(1), states that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'.
- 5.3. Legislation for smaller bodies is set out in the following:
- Local Audit and Accountability Act 2014
  - Accounts and Audit Regulations 2015
  - Smaller Bodies Transparency Code 2014
  - Local Audit (smaller authorities) Regulations 2015
- 5.4. Malvern Town Council is required to:
- a) Complete the Annual Governance and Accountability Return 2021/22 Form 3. This comprises:
    - Section 1 – Annual Governance Statement 2021/22, page 4
    - Section 2 – Accounting Statements 2021/22, page 5
    - Section 3 – External Auditor Report and Certificate 2021/22, page 6
    - Annual Internal Audit Report 2021/22, page 3
  - b) To prepare Accounting Statements for the year ended 31 March 2022 in the form required by proper practice.
  - c) Certify the Accounting Statements.
  - d) Consider and approve the Internal Audit work which has been carried out during the year.
  - e) Review the effectiveness of the Council's system of Internal Control and prepare the Annual Governance Statement.
  - f) Hold a full meeting of council to consider, approve and sign the Annual Governance Statement and the Accounting Statements. The Annual Governance Statement must be approved before the Accounting Statements but they can be done at the same meeting. This must be done before 30 June 2022.

- g) Make arrangements for the exercise of public rights and publish the Notice of Public Rights and Publication of unaudited Annual Governance and Accountability return and sections one and two of the Annual Return the day before the statutory 30-day period for the public to inspect the accounts begins.
  - h) Submit the approved and signed Annual Return and Working Papers to the External Auditor, no later than 1 July 2022.
- 5.5. PKF Littlejohn LLP has been appointed by Public Sector Appointments Limited to audit the accounts of Malvern Town Council. It has been agreed that all information requested for audit will be provided by 1 July 2022.
- 5.6. Sections 26 and 27 of the Local Audit and Accountability Act 2014 provide for the inspection of accounts, questioning of the auditor and objection to the accounts. The period for local government electors to inspect, object and question the auditors will be Friday 1 July until Thursday 11 August 2022.

End

Linda Blake  
Town Clerk



# **DKE AUDIT SERVICES**

## **INTERNAL AUDITOR**

Specialist provider to Town and Town Councils

### **Malvern Town Council**

#### **Internal Audit Report 2021-22**

**For presentation to the Council's Audit Committee on 8th June 2022**

#### **Overview**

This is my first year as the Councils internal auditor following the retirement of Chris Boyd. In his last report to the Audit Committee Chris commented that there may now be a differing approach to the audit and the report might be a more interesting read. My approach may be a little different as my background is more internal audit focused as opposed to an accounting one. However, the report content covers the same ground as there are prescribed areas the internal auditor must cover in order to complete the Annual Governance and Accountability Return (AGAR).

I would like to thank Chris for the work he undertook during his thirteen years as Malvern Town Councils Internal Auditor, working with the Town Clerk to develop the current control arrangements.

The Public Sector Internal Audit Standards (PSIAS), defines internal audit as '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*'. Although the AGAR section the internal auditor completes is weighted towards finance, internal audit is not 'an accounting audit' the role of the internal auditor is wider, focusing on the risk areas and control arrangements that impact on the Councils delivery of its aims and objectives.

As this is my first year, I have sought to gain an understanding of how the Council operates and how its working practices support and ensure effective control and compliance with those controls. My focus has been on systems review, control assessment and selective testing and my findings are detailed below.

## Malvern Town Council

### Internal Auditors assessment for the completion of the AGAR Part 3

#### Financial Year 2021-22

#### 1. Introduction

I have concluded the Council's annual internal audit. I am therefore able to complete the Annual Internal Audit Report 2021/22 which forms part of the Annual Governance and Accountability Return (AGAR), see Appendix A.

My internal audit considers the evidence available to assess and ensure the Council has effective governance arrangements in place for the areas examined. In examining the governance arrangements focus has been placed on compliance with the Council's key governance 'rules', its management of risk and its financial controls. Consideration is given to the size and scope of activities undertaken by the Council.

The internal audit is not designed to identify all weaknesses in the Town Council's systems but, it is a sample examination of systems and of testing those systems. Where weaknesses are identified during the internal audit process, which impact on governance and control, recommendations are made.

The responsibility for the prevention and detection of fraud, error and non-compliance with the law or regulations rests with the Council. The internal audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as may exist.

#### 2. Summary

In the section below I have recorded my AGAR responses and offered some comments by way of explanation for these. Members need to be mindful that this assessment is for governance and control during 2021/22 to the time of the audit review.

**During the internal audit review no significant control issues or non-compliances have been identified; therefore, I can give a positive response to each of the areas covered by the AGAR (internal auditors section), that apply to the Town Council. No control recommendations have been made; however, comments have been made within the report for the Council to consider.**

#### 3. Internal Audit Assessment

The table below follows the format of the AGAR, for each section questions have been answered with supporting evidence provided which has been examined and assessed.

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<b>A. Appropriate accounting records have been properly kept throughout the financial year.</b>	<b>Yes</b>
The Council has put in place effective procedures to accurately and promptly record all financial transactions, it has maintained up to date accounting records throughout the year, together with all necessary supporting information. Payments and receipts	

<p>are recorded on the accounting software (Sage) with copy invoices or appropriate evidence being held on file to support transactions.</p> <p>Sample tested showed the accounting records are kept up to date, the financial position (management accounts) with detailed explanation as appropriate, are reported to Members quarterly. The management accounts are developed based on information exports from the accounting system. The current presentation of the financial position aids understanding and provides explanations in support effective financial risk management and decision making.</p>	
<p><b>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved VAT was appropriately accounted for.</b></p>	<p><b>Yes</b></p>
<p>The review of Financial Regulations is delegated to the Policy and Resources Committee. The Committee undertook the review in September 2019.</p> <p>Based on a sample examination of a number of payments selected from the cashbook confirmation was gained that payments have been made in accordance Financial Regulations; payments are supported by appropriate evidence;</p> <ul style="list-style-type: none"> <li>• the order,</li> <li>• confirmation of receipt of the goods, services or works, and</li> <li>• internal check / authorisation prior top scheduling or payment.</li> </ul> <p>The approval process to make payment from the Councils bank account is well controlled. At the Annual Meeting the Council agreed the payments release process, being any two from the six members are required to sign and approve internet banking schedules and direct debit instructions before payments are made by Officers. An internal control process operates for setting up new supplier or amending an existing one.</p> <p>Based on sample testing VAT has been appropriately accounted for.</p> <p>The Council's arrangements to procure works, goods and services through quotations and tenders have been discussed. The process described showed the expected controls to be present with the balance between price and quality being a key consideration. In order to ensure and evidence robust procurement arrangements operate, system review and testing of the quotation and tendering process will be included in next year's internal audit programme. This will examine for example, contractor selection, terms and specification, invitation process, evaluation and contract award.</p> <p>The Council award small and large grants. The application, assessment and award arrangements have been reviewed. System review and sample testing shows a structured and transparent process operates.</p>	
<p><b>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b></p>	<p><b>Yes</b></p>
<p>Evidence to show the Council assesses the significant risks to achieving its objectives, and reviews the adequacy of arrangements to manage these forms part</p>	

<p>of the annual audit review. However, the primary driver must be the Councils desire to secure the delivery of its aims and objectives through effective and proportionate risk management arrangements.</p> <p>The records show that in 2016 the Council reviewed and rewrote its aims and objectives, and assessed the risks to delivering these. In 2020 the aims and objectives were further reviewed. In March 2021 the task and finish group and the Council recognised it is good practice to review the aims and objectives, and associated risk on an annual basis; this now occurs.</p> <p>Effective risk management should be an organisational wide activity being a key consideration within all systems and decision-making processes. The consideration of risk does not need to be explicitly stated but should be evident. Although not tested across all areas, it is evident from discussion, systems review and testing that risk management, through effective control is present. The examination of specific risks identified by the Council will feature in future internal audit plans, this will review how the Council considers / gains its assurance over, the key questions;</p> <ul style="list-style-type: none"> <li>• Has the risk been fully defined?</li> <li>• Does the risk mitigating actions / controls address the risk?</li> <li>• Are the mitigating actions / controls complied with?</li> <li>• Is the effectiveness of mitigating actions / controls reviewed with corrective actions where issues arise?</li> <li>• Is there documented evidence where required?</li> </ul> <p>As stated earlier the AGAR internal audit section is weighted towards financial management and control. Financial risk is well managed through robust internal checks and approval processes; the Town Clerk, being the Responsible Financial Officer accountable for financial management oversees and approves most financial commitments and transactions.</p> <p>IT risk arrangements have been discussed and considered. The Council has, in the past, experienced the impact of IT systems attack and has taken actions to reduce its IT risk exposure.</p> <p>It is noted Members commended the Town Clerk and staff for their good management of the Town Council's operations and finances during the challenges presented by the pandemic. The observations gained during the internal audit review showed the core financial control arrangements that have been developed supported this - an effective overall internal financial control environment operates.</p>	
<p><b>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</b></p>	<p><b>Yes</b></p>
<p>The review of the annual budget setting papers show the Council has a well-structured and detailed budget development and precept setting process. The budget covers all of the Councils activities, with planned income and expenditure being grouped by activity. The precept has been set in accordance with the agreed and approved budget requirement. A key factor in securing effective budget generation is the engagement of Members. The process adopted offers the</p>	

<p>opportunity for input, scrutiny and challenge from officers, the Operations and Planning Committee, the Budget Working Party, the Policy and Resources Committee and Full Council.</p> <p>The budget report for 2022-23 identifies the difficulties of forecasting, past data being affected by the impact of Covid-19 and future assumptions needed in relation to the impact of the sale of 28-30 Belle Vue Terrace and the Victoria Park project. The budget report identifies the uncertainties and the assumptions made.</p> <p>Comprehensive management accounts are presented, and considered by, the Policy and Resources Committee quarterly, the outcome being report to Full Council.</p> <p>When setting the budget, the Council has given consideration to its reserve levels. The principle for holding reserves being to cover emergency need and aid cashflow management (general reserve) and for future projected spend on specific projects (earmarked reserves). The Councils general reserve has been set in line with the CIPFA guidelines; set at 25% of the Councils precept.</p> <p>The levels of reserves are periodically reviewed by the Policy and Resources Committee. The Council has a clear a policy (six guiding principles) on why it holds earmarked reserves.</p> <p>Movements in reserves during the year are approved and recorded.</p>	
<b>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</b>	<b>Yes</b>
<p>The Council receives income from the precept and a number of other income generating services. Fees and charges are reviewed annually and sample testing showed service users are charged in accordance with the approved fees. Sample testing also showed an effective audit trail from service provision, to invoice, to payment, to banking.</p> <p>The information that flow between operational and administrative processes are effective and robust.</p> <p>The arrangements for ensuring periodic charges are raised when due is effective.</p> <p>The budget monitoring process provides overview of the expected levels of income to actual. Outstanding invoices are monitored and pursued.</p>	
<b>F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</b>	<b>Yes</b>
<p>The Council operates a petty cash system, the use, control and recording arrangement are effective. The impress is used for minor items being periodically reconciled and reimbursed. Payments from petty cash are supported by receipts. Each petty cash item is recorded in the Sage accounting systems as a specific transaction and the VAT element of the transaction is recorded.</p>	
<b>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.</b>	<b>Yes</b>

<p>The salary grades payable to staff are approved by Members. Sample testing showed actual payments are in accordance with agreed terms and relevant employment related deductions are made. Employer liabilities have been paid.</p> <p>Salary details are provided to the external payroll provider, the information is controlled, verified and reconciled by the Town Clerk. As raised in previous internal audit reports there is a control risk as there is no segregation of duties or further authorisation level for salary related payments.</p> <p>Staff have employment contracts and the Council has personnel related policies and procedures.</p> <p>Staffing matters are overseen by the Councils Staffing Committee.</p> <p>No allowances are paid to Members. Members are able to claim for costs incurred on certain specific items, up to a specified value. Reimbursement is based on actual cost.</p>	
<b>H. Asset and investments registers were complete and accurate and properly maintained.</b>	<b>Yes</b>
<p>The Council has a comprehensive and up to date asset register, which is periodically reviewed by Members. Assets are periodically revalued and are insured.</p> <p>Sample testing shows assets are regularly inspected, and maintained as required. Revenue provision allows for responsive and planned repair and improvements. Reserves allow for major maintenance and replacement requirements.</p> <p>The Council operate an asset replacement policy based on the assessment of the operational performance of the asset.</p>	
<b>I. Periodic bank account reconciliations were properly carried out during the year.</b>	<b>Yes</b>
<p>Evidence and testing show bank reconciliations are properly undertaken. This key financial control is carried out weekly. The bank reconciliation is monitored by the Town Clerk.</p>	
<b>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.</b>	<b>Yes</b>
<p>All accounting processes tested are effective, with appropriate controls and control compliance. The manner in which the Council's accounts are maintained and then presented to Members provides effective overview and detail of the Councils financial position.</p> <p>The accounting statements are prepared on the correct accounting basis, those tested agree to the cash book being supported by an adequate audit trail from underlying records. Debtors and creditors are correctly recorded in the accounting systems. There is effective control over the generation and approval of payments.</p>	

Income and expenditure levels are monitored and an effective bank reconciliation process operates.	
Quarterly accounting checks are undertaken and recorded.	
There is adequate evidence to show both the Town Clerk and Members ensure effective financial control operates.	
<b>K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered").</b>	<b>Not Covered</b>
The Council did not certify itself as exempt in 2020/21 and therefore had a limited assurance review of its AGAR.	
<b>L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.</b>	<b>Not Covered</b>
In 2020-21 the section specifically related to Councils with a turnover not exceeding £25,000. For 2021-22 the wording has been revised to the above, seemingly widening the requirement to consider Parish (and Town) Councils with a turnover greater than £200,000. The Transparency Code 2015 state this group is required to comply with the 2015 Code. However, the external auditor has provided me with the following guidance; <i>'The Transparency Code is only applicable to those smaller authorities where the income and expenditure is less than £25k. There is no upper threshold applicable to smaller authorities falling under the limited assurance regime i.e., it is not relevant for those greater than £200k. This is a point that has been queried and clarified with our technical network, which includes the National Audit Office, and was a common incorrect interpretation of the Transparency Code in early years. Therefore, the Transparency Code is only mandatory for those with income and expenditure less than £25k and where it is above £25k it would be considered best practice, on which basis a 'Not covered' response would be acceptable from our prospective'</i> . Based on this advice I have recorded 'Not Covered'. However, I would note that the Council demonstrates through the information it publishes on its website, that the transparency principles are followed. The detailed reports that support agenda items being an example.	
<b>M. The authority, during the previous year (2021-22) correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).</b>	<b>Yes</b>
The documents on the Councils website, show it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	
<b>N. The authority has complied with the publication requirements for the 2020/21 AGAR (see AGAR Page 1 Guidance Notes).</b>	<b>Yes</b>
The document on the Councils website, shows it correctly provided for the publication requirements for the 2020/21 AGAR.	

<b>O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.</b>	<b>N/A</b>
The Council does not have any sole trustee responsibilities.	

### **Other Areas**

<b>Internal Control areas and Internal Audit comments</b>
<b>Review of the implementation of recommendations or improvement opportunities from the previous year's Internal and External Audit Reports</b>
<u>Internal Audit</u> None
<u>External Audit</u> None
<b>Any 'unusual' matters arising from the review of the minutes of Council and Committee meetings (the approach to risk and control)</b>
The Council is progressing two major linked initiatives; the sale of 28-30 Belle Vue Terrace and the Victoria Park development project. The Council's approach to the management and control of the risks associated with these initiatives will feature in future internal audit programmes (this links to section C above).
<b>Any matters referred by the Council or the Clerk for review</b>
None

The draft version of this report was discussed and agreed by the Town Clerk.

The internal auditor wishes to acknowledge the support and assistance provided by the Town Clerk and staff during the internal audit review.

*Duncan Edwards* — DKE Audit Services

Internal Audit undertaken during February to April 2022

Duncan Edwards (2021/22 internal audits)



## Annual Internal Audit Report 2021/22

Malvern Town Council

<https://www.malverntowncouncil.org/>

During the financial year ended 31 March 2022, 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 2021/22 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**
A. Appropriate accounting records have been properly kept 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 bank account reconciliations were properly carried out during the year.	✓		
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 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick 'not covered')			✓
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements			✓
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).	✓		
<b>O. (For local councils only)</b>	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

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

08/02/2022 07/03/2022 07/04/2022

Name of person who carried out the internal audit

Duncan Edwards (DKE Audit Services)

Signature of person who carried out the internal audit



Date

25/05/2022

\*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).

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

**to be held on Wednesday 8 June 2022**

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

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

**1. Purpose of Report**

- 1.1. For comments and decision.

**2. Recommendation**

- 2.1. Committee is asked to assess the work carried out during the year to review the effectiveness of the system of internal control, make any additional comments as necessary and recommend that Council should consider and agree that a satisfactory review has been completed during 2021/22.

**3. Background**

- 3.1. The Accounts and Audit Regulations 2015 require the Town Council to carry out a review of the system of internal control and consider any findings from this review.
- 3.2. At the Annual Council meeting each year, an Audit Committee is appointed and the review of internal control is delegated to this committee.
- 3.3. Audit Committee agreed a timetable and programme of works for 2021/22 at their meeting in June 2021. Officers do not have an input into this process as they cannot be allowed to influence which areas are selected for review.
- 3.4. Works carried out during the 2021/22 year have been as follows:
- Review of Town Council events budget following the possible cancellation of events
  - Review of the process for invoicing customers
  - Review of internet banking processes
  - Review of the Council's credit control processes and other controls
  - Review of the use of SAGE as an accounting system
  - Review of payment terms for Town Council suppliers
- 3.5. All reviews listed in 3.4 have been fully completed, with amendments and suggestions incorporated. It is therefore suggested that the selected testing of the internal control process has resulted in a satisfactory outcome.
- 3.6. Committee members are invited to ask additional questions or make comments relating to internal controls before the review findings are sent to Full Council for endorsement.
- 3.7. The findings from the annual review of the effectiveness of the Council's system of internal control is used to prepare the Annual Governance Statement, part of the AGAR and attached at appendix A to this report.

**4. Financial Implications**

4.1. None.

**5. Legal Implications**

- 5.1. Malvern Town Council has an annual gross income and/or gross expenditure of £200,000 or above but less than £6.5 million and is therefore subject to an Intermediate Limited Assurance Review under Audit Regulations.
- 5.2. As part of the Intermediate Limited Assurance Review, Council must review the effectiveness of its system of internal control and prepare the Annual Governance Statement taking into account any findings from this review.

End

Linda Blake  
Town Clerk



## Section 1 – Annual Governance Statement 2021/22

We acknowledge as the members of:

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2022, that:

	Agreed		
	Yes	No*	'Yes' means that this authority:
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A

\*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

and recorded as minute reference:

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

Clerk