



# **MALVERN TOWN COUNCIL**

## **AUDIT COMMITTEE**

### **REPORTS**

**For meeting on Wednesday 7 June 2023  
at 6.00 pm**

# MALVERN TOWN COUNCIL

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



31 May 2023

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## MEETING OPEN TO MEMBERS OF THE PUBLIC

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

Councillors C Bovey, J Green, J Leibrandt, D Mead, 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 7 June 2023 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. Blake'.

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

No.	Agenda Item
1.	<b>Election of Chair</b> ➤ To elect a Chair of the Audit Committee for 2023/24
2.	<b>Election of Vice-Chair</b> ➤ To elect a Vice-Chair of the Audit Committee for 2023/24
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 ➤ 12 October 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 2023</b> ➤ Report AC01/23 (to follow)

7.	<b>Review of the effectiveness of the system of Internal Control</b> ➤ Report AC02/23 (to follow)
8.	<b>Internal Audit Committee – Work Plan 2023/24</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
9.	<b>Date of next Audit Committee Meeting</b> ➤ Wednesday 23 August 2023

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

**held on Wednesday 12 October 2022**

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

**Councillors**

Cllr Cynthia Palmer (Chairman)  
Cllr Caroline Bovey  
Cllr Lynne Lambeth  
Cllr David Mead  
Cllr David Watkins

**In attendance**

Linda Blake – Town Clerk  
Louise Wall – Minute Clerk  
Charles Porter – Operations Manager

**16. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**17. DECLARATIONS OF INTEREST**

None.

**18. 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 6 September 2022

**19. PUBLIC PARTICIPATION**

None.

**20. REVIEW OF THE COUNCIL'S ARRANGEMENTS TO PROCURE WORK, GOODS AND SERVICES**

The Operations manager explained that Financial Regulations state the limits to which officers may work when procuring work and these are adhered to for all contracts.

- a) **Contracts over £25,000:** Approval should be by Full Council with no delegation permitted.
- b) **Contracts over £10,000 and under £25,000:** Approval by the Town Clerk in consultation with the Chairman of the Council and the Chairman of Policy and Resources Committee.
- c) **Contracts below £10,000:** Approval by the Town Clerk.

There are also slightly different limits for multi-year contracts.

Members discussed the way in which contracts are advertised and services procured, and asked questions about the tender process, answered as follows:

- Officers identify potential companies to invite to tender by a combination of methods, such as word of mouth, asking other local councils for any recommendations, internet searches and previous experience etc.

## UNADOPTED

- Quotes are sought from at least two suppliers, three or more for amounts of over £5,000. If this is not possible for any reason, a report will be submitted to a council committee stating the reasons.
- For larger projects, a specification sheet is created to allow for tenders to be submitted in line with clearly defined instructions.
- Sealed tenders are opened at the same time by the Town Clerk in the presence of at least one member of Council, usually the Mayor.
- For larger tenders there will be a set scoring system but for smaller amounts the tender as a whole will be taken into consideration with the preference being to use local companies wherever possible.
- The Council does not necessarily accept the lowest tender.
- Regular reviews and checks are made to ensure that the Council is obtaining value for money.

Members suggested that after a contract had been awarded and completed, it would be useful to produce a report to summarise the process, including what had worked, what had not, relevant photographs etc. This would serve as a useful reference for employees in the future.

It was **RECOMMENDED** that a tender summary report be made after the award of any contract over £10,000 in value.

## 21. **REVIEW OF THE COUNCIL'S RISK MANAGEMENT PROCESSES, CONTROLS AND DOCUMENTATION**

The Town Clerk explained that risk management covered a wide area and the internal auditor had suggested carrying out a review of the process of how the Town Council managed risks, controls carried out to monitor these and any documentation used and retained.

### Operational duties

The Operations Manager informed members that day-to-day operations were effectively risk-managed by several methods including the hierarchy of controls. Where possible, the hazard is removed or substituted, and thereafter controls are put in place to either isolate people from the hazard or change the way in which employees work to reduce risk. All employees have regular training on health and safety matters and how to use all tools, machinery and vehicles. They are also provided with personal protective equipment to enable them to carry out their jobs properly and safely. Employees are notified of any major changes in operations and given relevant training before these changes are put into practice.

### Events

Town Council events must be risk assessed thoroughly as they may be attended by large numbers of the public. This is done not only by the Town Council but also by any exhibitors, contractors, bands or stallholders who attend the events. Their risk assessments must be submitted to officers before the event is held.

### Documentation

All assessments are checked by the Operations Manager and copies are retained in the cemetery office and the main office.

Financial Risk Management

Risk management is not just related to day-to-day operational activities, but also to longer term strategic planning. The Council sets short term and long term aims and objectives each year, and a review is then undertaken to identify the risks faced in trying to achieve these. The process includes identification of hazards which may prevent objectives being achieved, the level of risk, consequences of failing to achieve objectives, how these risks can be managed and whether there are adequate procedures in place to ensure objectives are achieved.

It was **NOTED** that whilst Council has a clear process for setting aims and objectives and risk assessing them, there was no formal review of performance against these objectives.

It was **RECOMMENDED** that a review should be carried out each year on the Council's performance and progress against its agreed aims and objectives.

The annual budget process is a thorough one carried out by the Budget Working Party and Policy and Resources Committee, with input from the Operations and Planning Committee. Clear reports are produced and published on the Town Council's website. Committee were satisfied that controls and procedures are adequate in this area.

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

It was **AGREED** that the next meeting of the Audit Committee would be on Wednesday 22 February 2023 at 6.00 pm.

The meeting ended at 6.50 pm

.....  
(Chairman)

**A REPORT OF THE TOWN CLERK TO  
A MEETING OF THE AUDIT COMMITTEE  
MALVERN TOWN COUNCIL  
to be held on Wednesday 7 June 2023  
in the Town Council Chamber, Belle Vue Terrace, Malvern, at 6.00 pm**

**ANNUAL INTERNAL AUDIT REPORT  
FINANCIAL YEAR ENDING 31 MARCH 2023**

**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 2022/23 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.
- 2.3. Committee may wish to consider the matters noted by the Internal Auditor at page 10 of this report.

**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 second five-year period from 2022/23. 2022/23 is the first year in this new 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. The internal auditor has spent time with Town Council staff over three days looking at:
- Financial systems and controls
  - Budget setting
  - Procurement/contract letting and contract management
  - Risk policy, management and risk registers
  - Personnel management and staffing related payments
  - General governance

- 3.5. The Internal Auditor's report for 2022/23 is attached at Appendix A and a positive response has been given to each of the areas covered by the Annual Governance and Accountability Return (AGAR).
- 3.6. The Internal Auditor has also completed the Annual Internal Audit Report which is page 3 on the AGAR.
- 3.7. The AGAR will be sent once fully completed and agreed by Council, along with supporting documentation to the External Auditor, no later than Monday 3 July 2023. 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.
- 3.8. Internal Audit must be in place during the year under review and Mr Edwards has carried out his work between November 2022 and February 2023.

**4. Financial Implications**

- 4.1. The cost of Internal Audit is £1,725. This can be contained within the Council's budget 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 2022/23 Form 3. This comprises:
    - Section 1 – Annual Governance Statement 2022/23, page 4
    - Section 2 – Accounting Statements 2022/23, page 5
    - Section 3 – External Auditor Report and Certificate 2022/23, page 6
    - Annual Internal Audit Report 2022/23, page 3
  - b) Consider and approve the Internal Audit work which has been carried out during the year.
  - c) Review the effectiveness of the Council's system of Internal Control and prepare the Annual Governance Statement.
  - d) To prepare Accounting Statements for the year ended 31 March 2023 in accordance with Proper Practices.
  - e) Certify the Accounting Statements.



- 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 2023.
  - 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 3 July 2023.
- 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 Monday 3 July 2023.
- 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 Monday 26 June until Friday 4 August 2023.

End  
Linda Blake  
Town Clerk

# **DKE AUDIT SERVICES**

## **INTERNAL AUDITOR**

Specialist provider to Town and Town Councils

### **Malvern Town Council**

#### **Internal Audit Report 2022-23**

**For presentation to the Council's Audit Committee on 7th June 2023**

#### **Overview**

This is my second year as the Councils independent internal auditor and during this year I have been able to further develop my understanding of the Council, its challenges, opportunities, aims and objectives. The approach I have followed for the internal audit continues to be in line with the internal audit professional standards I have worked to throughout my internal audit career.

The Annual Governance and Accountability Return (AGAR) that all Parish and Town Councils complete covers a number of governance and financial management areas. The Council's independent internal auditor is required to review certain systems and undertake tests in a number of areas each year to supplement the Councils AGAR submission; these primarily cover the control over financial activity. However, although the internal auditor's section of the AGAR is weighted towards finance, the internal audit is not 'an accounting audit' as would be undertaken as part of the private sector accounting requirement. The role of the internal auditor is to focus on the review of a sample of the Councils control arrangements (including financial control) that contribute to the Councils management of risk and the delivery of its aims and objectives.

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*'.

Through the work I have undertaken and then detailed in the report below I have responded to each of the questions the AGAR asks of the internal auditor. In addition, I have referenced, for consideration, some areas where I feel the Council could further enhance the relationship between its aims and objectives, the delivery of these, and therefore the management of the associated risks.

**Malvern Town Council**  
**Internal Auditors assessment for the completion of the AGAR Part 3**  
**Financial Year 2022-23**

**1. Introduction**

I have concluded the Council's annual independent internal audit. I am therefore able to complete the Annual Independent Internal Audit Report 2022/23 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 specific governance and control areas during 2022/23 to the time of the audit review in January 2023.

**During the internal audit review no significant control issues or non-compliances have been identified in the areas covered during the audit review. 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 (see Appendix A). 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 review of the accounting systems and records this year again confirmed 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 the required 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 testing 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 supporting 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 with 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 to 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 has been reviewed. The Councils Financial Regulations set the procurement 'rules' to be followed; the processes as described and evidenced from sample testing, comply with these requirements. Although the Financial Regulations provide a framework there are a number of areas with procurement where effective control must be present to secure the aim of the most 'economically advantageous' outcome. For example, contractor selection, terms and specification (including quality requirements), tender / quotation evaluation and contract award. The process and these areas were discussed and considered by the Audit Committee at its October meeting, and the following recommendation was made – <i>'that a tender summary report be made after the award of any contract over £10,000 in value'</i>. More details of the procurement process and systems used was gained as part of this year's internal audit review. Explanations and evidence (sample testing) showed control arrangements operate in the key areas of, contracted terms and specification, contractor selection, the invitation to quote/tender process, evaluation and contract award.</p>	

<p>The Council award small and large grants. The application, assessment and award arrangements have been reviewed by Members and grant awards decision are supported in respect of organisational need and governance. 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>Effective and proportionate risk management is a primary driver in aiding and supporting a Council in securing the delivery of its aims and objectives. The Council periodically reviews its long term and short term aims and objectives, and annually assesses the significant risks to achieving these along with the adequacy of the arrangements to manage each risk.</p> <p>Effective risk management should be an organisation 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 each year, it is evident from discussion, systems review and testing that risk management, through effective control is present.</p> <p>The Audit Committee considered the Councils risk management arrangements at its October 2022 meeting and made a recommendation in respect of performance reporting (please see comment later in this report).</p> <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>The Council has control processes in place to reduce its IT risk exposure.</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 opportunity for input, scrutiny and challenge from officers, the Operations and Planning Committee, the Policy and Resources Committee and Full Council.</p> <p>The budget report for 2023-24 again identifies the difficulties of forecasting, with assumptions needed in relation to the impact of the sale of 28-30 Belle Vue Terrace, the office location short and longer term, the scope of the Victoria Park project along with the uncertainty generated by the price inflation. The budget report identifies the uncertainties and the assumptions made which has informed the budget setting decision.</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>	
<p><b>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</b></p>	<p><b>Yes</b></p>
<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 flows 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. The management of the Allotment service has not been examined in detail as part of the internal audit to date, this will be a specific element of the 2023-24 internal audit.</p>	
<p><b>F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</b></p>	<p><b>Yes</b></p>
<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>	
<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></p>	<p><b>Yes</b></p>
<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>For staff paid on variable hours, and variable pay rates, sample testing of timesheets showed calculations and payments were in accordance with approved source documents.</p> <p>Salary details are provided to the external payroll provider, the information is controlled, verified and reconciled by the Town Clerk. Each month a pay statement is produced for each employee showing their; current salary or pay rate, overtime due (if applicable) and any notes that may be relevant to the pay calculation for that month. The supporting pay related information offers clarity over the calculation or each staff member.</p> <p>As raised in previous internal audit reports there is limited opportunity for segregation of duties within the final stages of the employee payment process. The responsibility for generating and approving the final payroll schedule each month rests with the Town Clerk. However, there is an audit trail supporting each payment - to approved grades and salary points and to variable hours source documents. The overall 'employment budget' is set and monitored by Council.</p> <p>Staffing matters are overseen by the Councils Policy and Resources Committee. Staff have employment contracts and the Council has personnel related policies and procedures.</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 operates an asset replacement policy based on the assessment of the operational performance of the asset. For example, where there is need to replace or renew major equipment, discussion and sample testing showed the Council procurement process focuses on securing the most economically advantageous option which is then recommended to Members.</p> <p>During the year the Council has accepted an offer to sell a significant asset, the Belle Vue Terrace site.</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. Income and expenditure levels are monitored and an effective bank reconciliation process operates.</p> <p>Quarterly accounting checks are undertaken and recorded.</p> <p>There is adequate evidence to show both the Town Clerk and Members ensure effective financial control operates.</p>	
<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 2021/22 AGAR tick "not covered").</b>	<b>Not Covered</b>
The Council did not certify itself as exempt in 2021/22 and therefore had a limited assurance review of its AGAR.	
<b>L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.</b>	<b>Yes</b>
<p>The wording of section L has changed from last year, previously it applied only to Councils with a turnover not exceeding £25,000, it now covers all Councils.</p> <p>Transparency, through the publication of information, is a key governance expectation for public sector bodies, and the Council has demonstrated its commitment to meeting the principles of the Transparency Code. During the year the Audit Committees considered Councils transparency arrangements.</p> <p>The Council has a Publication Scheme which details the information available and how it can be accessed. The Town Clerk has confirmed the Council is aware of, and publishes, the information required by legislation. Due to the late wording change to this section, limited guidance has been released, the initial being that the AGAR for the last five year must be published on the Council's website; the Council complies with this. At the time of the audit the Council's website was reviewed and a wide range of information was available.</p>	
<b>M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the</b>	<b>Yes</b>



2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	
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 2021/22 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 2021/22 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

Internal Control areas and Internal Audit comments
<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>Matters noted but not covered above.</b>
<ul style="list-style-type: none"> <li>The Council is progressing two major linked initiatives; at the time of the internal audit visit an offer to purchase 28-30 Belle Vue Terrace had been accepted. The next step for the Council is to decide how to progress both the Victoria Park development project and the relocation of the Council offices. It is understood a Member working group will support and report on the progress of these initiatives, with all key decision being taken by Full Council.</li> <li>The Audit Committee considered the Councils risk management arrangements at its October 2022 meeting and noted that <i>'whilst Council has a clear process for setting aims and objectives and risk assessing them, there was no formal review of performance against these objectives'</i>. The Committee recommended <i>'that a review should be carried out each year on the Council's performance and progress against its agreed aims and objectives'</i>. I offer a further comment on the Committees considerations and recommendation. In order to measure the Councils performance against its aims and objectives (long and short term) the process for setting these could be further developed to establish and define more specific measurable outcomes. The outcomes may be delivered through achieving defined and measurable outputs (performance targets) that collectively support and demonstrate the attainment of the desired outcome, or progress made.</li> </ul>

The Council may need to moderate the number of aims and objectives and therefore performance targets, focusing on the areas of greatest importance, to ensure they are challenging but achievable, and to set some over a number of years where delivery is longer term. In addition, performance targets may need to be varied or realigned each year if affected by budget decisions.

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 visits between November 2022 and January 2023

Duncan Edwards (2022/23 internal audits)

## Annual Internal Audit Report 2022/23

Malvern Town Council

www.malverntowncouncil.org

During the financial year ended 31 March 2023, 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 2022/23 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 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")			✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. (For local councils only) 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

22/11/2022

24/01/2023

Name of person who carried out the internal audit

Duncan Edwards (DKE Audit Services)

Signature of person who  
carried out the internal audit

Date

05/05/2023

\*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 7 June 2023**

**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 2022/23.

**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 2022/23 at their meeting in June 2022. 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 2022/23 year have been as follows:
- Review of Transparency Code Requirements and Town Council's Publication of Information in line with these (section L of AGAR)
  - Review of controls in places for assessing, marking and awarding grants under the grants scheme
  - Review of the Council's arrangements to procure works, goods and services
  - A review of the Council's risk management processes, controls and documentation
- 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



We acknowledge as the members of:

(ENTER NAME OF AUTHORITY)

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 2023, that:

	Agreed		
	Yes	No*	
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