



MALVERN TOWN COUNCIL

AUDIT COMMITTEE

REPORTS

**For meeting on Wednesday 23 August 2023
at 6.00 pm**

MALVERN TOWN COUNCIL

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



16 August 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 23 August 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. J. Blake'.

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 ➤ 7 June 2023 (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.	Review of Internal Audit Contract ➤ Report AC01/23 (to follow)
5.	Year End 2022/23 – Internal Audit Report and Annual Governance and Accountability Return ➤ Verbal report

6.	Business Continuity Carry out a risk assessment of business continuity including staffing, property and IT ➤ Committee discussion and plan of work
7.	Date of next Audit Committee Meeting ➤ To be confirmed

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

held on Wednesday 7 June 2023

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

Councillors

Cllr Caroline Bovey
Cllr Jude Green
Cllr David Mead
Cllr David Watkins

In attendance

Linda Blake – Town Clerk
Louise Wall – Minute Clerk
Duncan Edwards, Internal Auditor
Cllr Clive Hooper (Mayor)

Absent

Cllr Josephine Leibrandt (apologies)

1. ELECTION OF CHAIR

Cllr Caroline Bovey was elected Chair of the Audit Committee for 2023/24.

2. ELECTION OF VICE-CHAIR

Cllr Jude Green was elected Vice-chair of the Audit Committee for 2023/24.

3. APOLOGIES FOR ABSENCE

Apologies for absence from Cllr Josephine Leibrandt were **NOTED**.

4. DECLARATIONS OF INTEREST

None.

5. MINUTES OF PREVIOUS MEETING

The minutes of the previous Audit Committee meeting held on 12 October 2022 were received and considered.

Minute 20 Review of the Council's arrangements to procure work, goods and services

Cllr Mead thought that there should be a figure to quantify 'larger tenders', in the fifth bullet point.

It was **AGREED** that the bullet point would now read:

For larger tenders of over £10,000 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.

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

- Audit Committee meeting held on 12 October 2022

PUBLIC PARTICIPATION

None.

6. **ANNUAL INTERNAL AUDIT REPORT – FINANCIAL YEAR ENDING 31 MARCH 2023**

Report AC01/23 was received and committee noted the internal audit work that had been undertaken during the 2022/23 financial year.

The Town Clerk introduced the Internal Auditor, Mr Duncan Edwards, who attended the meeting to present his annual internal audit report.

Mr Edwards explained that he was now in his second year of work as internal auditor for Malvern Town Council and had further developed his understanding of the Council, its challenges, opportunities, aims and objectives.

He summarised each section of the internal audit assessment as detailed in his written report and noted that he had been able to give a positive response to each of the areas covered by the AGAR (internal auditors section) that apply to the Town Council.

Attention was drawn to a matter noted within the auditor's report – risk management arrangements. Mr Edwards felt that the number of aims and objectives could be moderated with a focus on establishing more specific measurable outcomes.

Mr Edwards then thanked the Town Clerk and staff for their assistance during the year and invited questions from members of the committee.

It was **RECOMMENDED** that the Internal Audit Report 2022/23 of the Council's Internal Auditor be accepted and forwarded to the next meeting of Full Council for approval.

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

Report AC02/23 was received and accepted.

The Town Clerk confirmed that the following works had been carried out during the 2022/23 financial year as per the agreed timetable:

- 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

Committee **NOTED** the work carried out and **RECOMMENDED** that Council should agree a satisfactory review of the system of internal control had been completed during 2022/23.

8. **INTERNAL AUDIT COMMITTEE – WORK PLAN 2023/24**

Members of the committee discussed a programme of works to be carried out over the next twelve months and asked the Internal Auditor for his suggestions of areas that could be included.

It was **AGREED** that the following would form the work plan 2023/24 for the Audit Committee:

UNADOPTED

- Aims and objectives – ensure aims and objectives are clearly defined and look at controls in place to measure whether these are met
- Business continuity – carry out a risk assessment of business continuity, including staffing, property and IT
- Health and safety policy – compliance with current policy and procedures

9. DATE OF NEXT AUDIT COMMITTEE MEETING

It was **AGREED** that the next meeting of the Audit Committee would be on Wednesday 23 August 2023 at 6.00 pm.

The meeting ended at 7.00 pm

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(Chairman)

DRAFT

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

to be held on Wednesday 23 August 2023

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

REVIEW OF INTERNAL AUDIT CONTRACT

1. Purpose of Report

1.1. For decision.

2. Recommendation

2.1. Committee should agree that Duncan Edwards of DKE Audit Services continue to act as the Town Council's internal auditor for a further two years covering the financial years 2023/24 and 2024/25 and with the option for one more year in 2025/26 subject to both parties agreeing.

3. Background

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

3.2. The appointed internal auditor should be competent, act independently and assess the Council over fifteen specific control objectives as listed on the AGAR (see Appendix A).

3.3. Following a tender process, in October 2021, Audit Committee agreed to appoint Duncan Edwards for an initial two-year internal audit contract, with a further three years to be negotiated if both parties agreed.

3.4. The first two years have now been successfully completed with the internal audit process running smoothly. The Town Clerk has spoken to Mr Edwards to discuss future internal audit arrangements and he would be pleased to continue with a few amendments to the specification and terms.

3.5. The internal audit contract would be continued for a further two years covering 2023/24 and 2024/25 with an option then for one more year if both parties are happy to continue.

3.6. Duncan Edwards of DKE Audit Services will be required to undertake the following to complete the internal audit:

- i. Complete an overview of each of the control objectives that apply to the AIAR in adequate detail to form an opinion on each one. In addition, each year a programme of work will be agreed to test the effectiveness of, and compliance with, the controls operating in selected risk areas (control objective C).
- ii. Visit the Town Council offices on at least two days per annum to carry out on-site assessments and speak to Town Council staff. These days must be within the financial year being audited.

- iii. Submit a written annual internal audit report as a summary of the audit work completed. This report to be presented to a meeting of the Council's audit committee held in May/June; attendance at the meeting will be required.
- iv. Completion of the AIAR on page 3 of the AGAR in line with statutory deadlines and the Town Council's meeting dates.

3.7. The following additions to terms of reference are proposed based on experience from the first two years of the contract and to ensure that works remain focussed on the AGAR related contract.

i. Operating arrangements

The internal auditor will be free to select the test samples required in order to form an opinion on the general effectiveness of controls and compliance. The internal auditor shall ensure that they are not directed by staff or members when selecting the areas to be tested or when generating test samples.

ii. The scope of Internal Audit Activity

The scope of the internal audit work shall be limited to that required to complete page 3 of the AGAR. The days allocated are reflective of the work required and this limitation. For any internal audit related works or other investigations that fall outside of the scope of the AGAR related internal audit activity, the internal auditor may be invited to quote should they wish, alongside other suitably qualified parties.

4. Financial Implications

- 4.1. The internal auditor has confirmed that the price for internal audit work in 2023/24 and 2024/25 will remain fixed at £1,750.
- 4.2. The budget for 2023/24 has been set to cover this cost.

5. Legal Implications

- 5.1. The Accounts and Audit Regulations 2015 require Malvern Town Council to undertake an effective internal audit.
- 5.2. The Council must appoint an independent and competent person to carry out the internal audit, carry out a selective assessment of compliance with the relevant procedures and controls in operation and submit their conclusions by completing the AIAR on page 3 of the AGAR.

End
Linda Blake
Town Clerk

Annual Internal Audit Report 2022/23

ENTER NAME OF AUTHORITY

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

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. <i>(If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")</i>			
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 <i>(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).</i>			
N. The authority has complied with the publication requirements for 2021/22 AGAR <i>(see AGAR Page 1 Guidance Notes).</i>			

O. (For local councils only)	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

Name of person who carried out the internal audit

DD/MM/YYYY DD/MM/YYYY DD/MM/YYYY

ENTER NAME OF INTERNAL AUDITOR

Signature of person who carried out the internal audit

SIGNATURE REQUIRED

Date

DD/MM/YYYY

***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).