

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

**to be held on Tuesday 4 June 2019**

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

**ANNUAL INTERNAL AUDIT REPORT  
FINANCIAL YEAR ENDING 31 MARCH 2019**

**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 2018/19 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 income and expenditure of above £200,000 and less than £6.5 million per annum and therefore requires an Intermediate 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.

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 October 2017 and following a meeting of the Council's Audit Committee in November 2017, Chris Boyd was reappointed as Malvern Town Council's Internal Auditor on a two-year internal audit contract with up to a further three years by negotiation.

3.4. It was agreed that the Internal Auditor should complete an overview of each of the audit control objectives each year and be asked to look at three areas in detail. Two of these areas are covered by a work plan and the third will be randomly selected by the Internal Auditor.

3.5. The Internal Auditor's report for 2018/19 is attached at Appendix A.

3.6. The Internal Auditor will also complete the Annual Internal Audit Report which is page 3 on the Annual Governance and Accountability Return (AGAR).

3.7. The AGAR will be sent once fully completed along with supporting documentation to the External Auditor, no later than Monday 1 July 2019. Committee is asked to note that the report submitted by the Internal Auditor must, from 2017/18, be submitted as part of the list of documents for review by the External Auditor.

3.8. It should also be noted that Internal Audit must be in place during the year under review and this has been carried out in 2018/19.

**4. Financial Implications**

- 4.1. The cost of Internal Audit at £1,650 can be contained within the Council's Internal Audit Budget of £1,800 for 2018/19.

**5. Legal Implications**

- 5.1. The Accounts and Audit Regulations 2015 state that a Council with income or 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 2018/19 Part 3. This comprises:
  - Section 1 – Annual Governance Statement 2018/19, page 4
  - Section 2 – Accounting Statements 2018/19, page 5
  - Section 3 – External Auditor Report and Certificate 2018/19, page 6
  - Annual Internal Audit Report 2018/19, page 3
- b) To prepare Accounting Statements for the year ended 31 March 2019 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 Controls 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 1 July 2019.
- 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. The suggested period for the Exercise of Public Rights is Monday 17 June to Friday 26 July providing that the AGAR has been approved by Council before this period.

- h) Submit the approved and signed Annual Return and Working Papers to the External Auditor, no later than 1 July 2019.
  - i) Publish or display the certified Annual Return by 30 September 2019 including the signed external auditor report.
- 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 2019.
- 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 17 June until Friday 26 July 2019.

End

Linda Blake  
Town Clerk

MALVERN TOWN COUNCIL  
**INTERNAL AUDIT REPORT**

**2018-19**

**For presentation to the Audit Committee**

**At 6.00pm on Tuesday 4th June 2019**

**By Christopher Boyd MA FCA**

**INDEX**

1	INDEX
2-5 part	OVERVIEWS
5 part -11	DETAILED SECTIONAL REVIEW
12-13	APPENDIX A – ACCOUNTING RECORDS REVIEW
14	APPENDIX B – 2018/19 INTERNAL AUDIT TICK LIST
15	APPENDIX C – 2017/18 EXTERNAL AUDIT REPORT

## **OVERVIEW**

This is my eleventh report as Internal Auditor. I will try not to repeat previous reports too much since the majority of Councillors remain year on year although I do note that there are now eight new Councillors following the May elections and a much-changed Audit committee.

Previous reports, in particular the first one that I ever did, which is much more detailed, can be made available if required.

For the benefit of new Council Members, who may well have not seen previous Internal Audit reports, I do feel that a repeat of parts of prior year reports is valuable but only on occasion.

The Annual Return that Local Councils, Internal Drainage Boards and other “Smaller” Authorities in England have to complete changed markedly a few years ago. My report no longer refers to “smaller”.

The Appendices to the report include both last year’s External audit Certificate and the Internal audit “tick list” and I am required to “sign off” as shown in Appendix B.

The Town Council’s Best Value Committee used to undertake internal audit and when they looked at this “task” for 2007-08 only sections B and E (see the Appendices) were covered and given a “YES”. No other sections were covered and the External Auditors reported adversely on this issue which resulted in the decision to appoint an independent internal auditor.

In 2008-09, which was my first reporting year, I was unable to satisfy myself that section C had been covered and this led to a qualified external audit report that year (as it had to).

Council agreed to put in motion the necessary arrangements to assess the significant risks to achieving its objectives and to review the adequacy of arrangements to manage these (which is what section C is all about)...

This was achieved and my reports from 2009-10 onwards have been “clean” and the external audit report has been “clean” (no qualifications) with one exception in the year after the issues surrounding the departure of the previous Town Clerk in 2013-14. Clearly, this is the objective year on year, not least to minimise overall costs to the Council.

The other significant recent change in methodology, from 31 March 2011 onwards, was the decision to take the year-end accounts preparation task “in house”.

Long-term Councillors will be aware of the meetings in 2010 and 2011 to agree the year-end accounts format and these are, therefore, much simplified from the years before. I suspect that previous years’ reports were, if anything, hampered for readers by their sheer size. It should be noted that much of the accounting detail is provided voluntarily rather than being so fully required.

Within my brief there is only scope to overview the numbers and methods of preparation and I am happy, from the work I have done, that the accounts are prepared along recommended Local Government Authority accounting guidelines and that there are a substantial number of supporting documents and a detailed “audit trail” mainly back to the Sage accounts product – Council members will be aware of the detail and effort that goes into quarterly management reports, and year-end accounts are now prepared using the same data and in a consistent manner.

Having spent a considerable amount of effort in years one and two and having achieved the primary aim of a clean external audit report, the Best Value (now Audit) Committee recommended a tiered approach to future internal audit.

Accordingly, on an ongoing basis, I have been asked to concentrate my detailed work each year on two items, based on a timetable agreed recently by the Audit Committee, and on one other item of my own choosing. The 2010-11 timetables have been repeated for 2017-18 for another five years.

To remind ongoing members and to enlighten new members the aim is for me to be able to confirm the following Internal Control Objectives.

**Annual Internal Audit Report – Objectives of Internal Control**

- 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 investment registers were complete and accurate and properly maintained.
- I Periodic and year-end bank account reconciliations were properly carried out.
- 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 2017-18, it met the exemption criteria and correctly declared itself exempt.

L\*\* During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.

M\*\* Trust Funds (including charitable) - the Council has met its responsibilities as a Trustee.

\*\* Please note that K and L are new, that K did not need to be covered because the authority had a Limited Assurance review in 2017/18, that L is deemed not applicable on the form itself and that M is also not applicable, according to the Town Clerk, and I am given a written note to this effect signed by the Town Clerk.

This year the laid out plan asks me to look specifically at items B and G and I have chosen D as well (all such sections highlighted below in grey).

I have briefly looked at all other objectives in particular where recommended action was identified last year.

I am happy to answer “YES” to all sections of the Annual Internal Audit Report and thus, hopefully, the External Audit report for 2018-19 will be “clean”.

**A APPROPRIATE ACCOUNTING RECORDS HAVE BEEN KEPT PROPERLY THROUGHOUT THE YEAR**

Last year was the first year, for some while, that I had done a detailed review of the accounting records, the quarterly management accounts that flow from these and the year-end published accounts that are made available to the public.

Previous reviews had emphasised the need to improve the Sage accounting records and there was and remains genuinely little more that needs or could be done in this area.

The Sage records are the starting point for the quarterly accounts and data from Sage feeds into very detailed spreadsheets such that what Councillors get to see is very accurate and is matched to budget with overspend and underspend being recorded and explained.

One of the “quirks” of local government finance is that funds are “tucked away” (the true term is “earmarked”) in expectation of future spend and in 2018-19 quite a few such items of a one-off or Capital nature came to fruition and earmarked funds were used.

In all cases the proposed release of earmarked funds is flagged up in the budget process, where envisaged in advance, or highlighted in meetings’ agenda where the spend has been incurred after the budget process thus requiring active full approval at Council Meetings or passive approval via the Sub-Committee reports.

Councillors will be aware of all the effort that goes into these quarterly accounts. This Sage and spreadsheet data is then used to create the year-end reports, which look more like Limited Company accounts. The Balance Sheet flows directly from the Sage accounting records. The various income and expenditure accounts flow more so from the quarterly management accounts spreadsheets.

From time to time, I make “observations” to the Town Clerk about the Sage records and the Spreadsheets and report any more noteworthy finding in Appendix A. As with Sage, much improvement has been made over the last decade.

**B THIS AUTHORITY COMPLIED WITH ITS FINANCIAL REGULATIONS, PAYMENTS WERE SUPPORTED BY INVOICES, ALL EXPENDITURE WAS APPROVED AND VAT WAS APPROPRIATELY ACCOUNTED FOR**

Historically Councillors who were required to sign cheques were presented with the cheques to sign (two signatories per cheque) and a listing detailing the cheques and the reasons for them and they were required to sign this list as further authority to pay in line with the Cheque Signing Procedure.

In previous years, I had expressed concern that, when cheques were laid before the cheque signatories, they were not all taking the opportunity to review expenditure or at least were not evidencing it.

Cheque signatories were fully entitled to see backup paperwork, make queries as necessary, and initial the payment schedule as evidence of their reviews – it was important to me to be able to see that this is happening.

It has been “all change” in one aspect in that after years of asking why cheques were still being used at all, given modern technology, there has now been agreement to switch wholly to online banking. This change only came in at the back end of the year under review.

I have checked the new procedures in force and am quite happy with them. These procedures were outlined in various reports to committee (initially the Audit Committee) and were then approved by full council.

In all other respects the approval procedure has not changed and should not need to change but in the light of the fact that cheques no longer need to be signed I would like to see those Councillors who approve the list of payments to evidence that they have looked at more than two payments – maybe everything over £5,000 and a couple of others at random. In short, payment list approvers should continue to be diligent in this area since it really is the only opportunity to “double-check” the integrity of payments once the budget has globally approved spending levels for the year.

I reviewed the entire year’s run of cheques – see pages 11-12 for results. It is probably of no great relevance that the exceptions found could not recur under the new routines.

**C THIS AUTHORITY ASSESSED THE SIGNIFICANT RISKS TO ACHIEVING ITS OBJECTIVES AND REVIEWED THE ADEQUACY OF ARRANGEMENTS TO MANAGE THESE.**

The Audit Commission report for 2006-07 noted the following recommendation – “The Council should develop a short over-arching plan with clear objectives which are linked, where appropriate, to performance indicators”.

As mooted, the Council was slow to recognise the importance of this leading to the qualified audit reports mentioned above. The matter was well addressed in 2009-10. Indeed, I felt that there were suddenly too many objectives!

Statute and Best Practice primarily govern the objectives. As such, there is an element of “sameness” about them and indeed, they have remained substantially the same over the years.

In July 2016, an Aims and Objectives Working Party was set up and this working party rewrote the Council's Aims and Objectives since when substantial interest has been shown in assessing risks and their subsequent management.

It is probably a fact that the Town Council's primary objectives cannot change much and that if the risks to not achieving these are low, there is little more that the internal auditor can do than to express approval that Council is fulfilling its requirements herein.

Minimal work has been done this year – it is on the 2019-20 audit schedule. I am pleased to see, from the minutes, that there has been further “new thinking” on this topic during the year.

**D THE PRECEPT OR RATES REQUIREMENT RESULTED FROM AN ADEQUATE BUDGETARY PROCESS; PROGRESS AGAINST THE BUDGET WAS REGULARLY MONITORED; AND RESERVES WERE APPROPRIATE**

Over the years I have had detailed conversations with the Town Clerk about the format of the budget.

We agreed that the budgeting basis used historically and currently is the most sensible and it should be added that External Auditors have never objected to the way that the process is carried out. (A previous email of mine to the External Auditor infers that this may well be because they have never looked but that is their prerogative). Internally we know that the process is suitably rigorous.

I have performed a detailed review this year of the 2019-20 budget process and working papers. The budget each year is approved in December (the precept needs to be set well in advance of circulation to rates payers) so the process utilises actual spend to September (agreed from Sage to working papers) plus forecast activity to March (usually but not exclusively pro rata). Comparison is made with prior year, and actual current year; notes are taken of proposed spend within Committee Minutes and the final budget is reviewed by the Policy and Resources Committee and finally agreed by Council.

I carried out a detailed review of each stage of the process and am happy with accuracy of the copious overall budget appendices (14 pages of spreadsheet). It would be hard for the work done to be more detailed.

**E EXPECTED INCOME WAS FULLY RECEIVED, BASED ON CORRECT PRICES, PROPERLY RECORDED, AND PROMPTLY BANKED; AND VAT WAS APPROPRIATELY ACCOUNTED FOR**

I had made a number of recommendations historically in relation to regular invoicing activity and the authorisation of credit notes and was pleased that all my recommendations had been taken on board and actioned after my first year.

In year one I also recommended a series of enhancements to the spreadsheet that had been used as an aide memoire for the production of repeat invoices and I was pleased to see that this had been enacted in year two. There was some slippage in 2010-11 when the spreadsheet was “lost” and I was moved to report as follows:

“If nothing else, it is important that current, up-to-date, software is being used and is being regularly maintained and updated such that if there is a change in staff, new staff can pick the task up seamlessly. The replacement spreadsheet should be found, updated if necessary and used rather than a photocopy of an old out of date set of records.”

A written procedure is now in place and I reviewed the spreadsheet last year. The spreadsheet is primarily an aide memoire and although there were a couple of errors in my 2017-18 review that have now been corrected, the necessary invoices had been raised. I reviewed the schedules for Goodwood Road tenants and Knapp Way tenants and a number of other scheduled invoices and found no omissions or errors.

**F PETTY CASH PAYMENTS WERE PROPERLY SUPPORTED BY RECEIPTS, EXPENDITURE WAS APPROVED AND VAT APPROPRIATELY ACCOUNTED FOR**

Stringent measures were put in place in 2011-12 and, by and large, seem to be holding good. This activity was voluntarily reviewed in detail in my 2016-17 report. Three weeks activity was reviewed in detail, the correct VAT treatments of all items were verified. The regular (weekly) reconciling of Petty Cash was noted. It was also noted that Regulation 6.19 stipulates that any excess of Petty Cash over £300.00 should be banked and it was spotted that this did not always happen immediately.

My detailed review of 2017-18 activity showed that excess Petty Cash was always banked as required in the year.

**G SALARIES TO EMPLOYEES AND ALLOWANCES TO MEMBERS WERE PAID IN ACCORDANCE WITH THIS SMALLER AUTHORITY'S APPROVALS, AND PAYE AND NI REQUIREMENTS WERE PROPERLY APPLIED**

Since the departure of the previous Town Clerk, there might be a perceived increase in risk in control of payroll. In the big scheme of things, I am not worried that anything would go wrong but I did believe that an extra layer of control needed to be seen to be in place given that the current Town Clerk compiles the payroll, as she has done for some years and thus that there was no formal "authorising level".

Accordingly, salary control was reviewed in detail in 2015-16 and I reported as follows – "then, as now, all payroll extras are documented and, where applicable, were approved by the previous Town Clerk using delegated powers, within payroll budgetary limits, in areas like overtime, increments for special jobs etc. All work done suggested that payments made are in accordance with Council approval and my review confirmed that payments of PAYE and NIC were made accurately and on time. I checked that all changes to the pay of senior staff, as authorised by Full Council, had been authorised by the Mayor."

My review of the 2018-19 year is shown in detail in the Appendices. Merely to report here that all is well, that there was a change in payroll processing providers during the year and that the reports are easier to review not least because the software is the same as we use in my Practice.

**H ASSET AND INVESTMENT REGISTERS WERE COMPLETE AND ACCURATE AND PROPERLY MAINTAINED**

Historically, control of Fixed Asset accounting had vested with external accountants, who, in my opinion, were not getting everything right. In conjunction with bringing the final accounts activity in-house, changes were made and incorporated into the 2010 accounts.

No work has been done in 2018-19

**I PERIODIC AND YEAR-END BANK ACCOUNT RECONCILIATIONS WERE PROPERLY CARRIED OUT**

I checked in detail a number of bank reconciliations during the year and I am pleased to report that all historic recommendations have been carried out and continue to be in place.

**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**

Prior to 2010, the year-end accounts had been prepared by an external firm of accountants for some years at some considerable cost. Historically the Audit Commission and the External Auditors had been less than fully complimentary of the Financial Statements and the Council, following up on my recommendation, took the view that the 2010 accounts would be produced internally, thereby saving both cost and hassle, and would be reviewed by me as part of my internal audit role. From 2010-11 to 2013-14 the external audit report had made no mention of the final accounts which the now Town Clerk and I took as tacit approval! We were therefore rather surprised to discover in 2014-15 during an exchange of email with the External Auditors, that they would prefer us only to send accounts if they ask for them and that they do not necessarily look at them.

Accordingly, I do try to look at them in some detail every year. At the time of this year's report, the accounts had not been finalised but this section will be covered fully in 2019-20.

## **MALVERN TOWN COUNCIL INTERNAL AUDIT 2018-19**

### **APPENDIX A - ACCOUNTING RECORDS REVIEW ESPECIALLY SAGE - RECOMMENDATIONS ON ACCOUNTING**

#### Overview

Over the years, I have made various “accounting” and “bookkeeping” recommendations. These are usually carried out in the following period and I have been running out of constructive observations to make about the day to day processing to Sage! However, in 2013-14, when doing some detailed work on bank reconciliations, I noticed that some of the bank accounts with year-end zero balances are not regularly reconciled.

#### Bank reconciliations

I suggested that bank account codes that appear to be inactive are reviewed and reconciled to eliminate any apparent outstanding items. These codes can then be re-used in future for different new bank activities.

I am pleased to report that they do now get regularly reconciled although it is now appreciated that some cannot be reconciled monthly where statements are received less often than 12 times a year.

#### PAYE, NI and Superannuation reconciliations

Whereas ideally these should be done monthly or quarterly, I am not uncomfortable with them being done annually in conjunction with the finalisation of the accounts.

#### Detailed review of payments made

Until the end of the year under review, all payments (save for cash) had been made by cheque.

I reviewed the entire year’s activity firstly to see the level of Councillor approval and secondly to ensure that all cheques had been used or accounted for. I discovered five omissions (cheques in the chronological sequence not used) and on review, expecting to find the five spoiled cheques suitably filed, was only able to find three. In looking at the cheque stubs booklet it was noted that two cheques had been spoiled but not kept.

We were able to deduce quickly that one had clearly been replaced correctly but the other was wholly missing. This should not have happened and Officers accept that this was an error and for audit purposes all spoiled cheques and cheque stubs should always be kept as part of the accounting records.

In fairness this cannot happen in future since cheques are no longer in use.

#### Detailed review of payroll

I reviewed the payroll processing records for both May 2018 and November 2018, the change in payroll provider having been made between these two dates. The May review was more tortuous in that it included the retrospective pay rises. I checked the computation of all these and agreed the new rates back to the Government's Spinal pay tables

Suffice to say that no errors were found in either pay run – this has not always been the case in that there have been instances of small overpayments and underpayments in the past, as reported previously, mainly relating to computation of overtime such as time and a half rather than time and a quarter being used.

## **APPENDIX B – 2018/19 INTERNAL AUDIT TICK LIST**

### **Annual Internal Audit Report 2018/19**

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2019.

The internal audit for 2018/19 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	Agreed? Please choose one of the following		
	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 and year-end bank account reconciliations were properly carried out.			
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 2017/18, it met the exemption criteria and correctly declared itself exempt. ( <i>"Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR</i> )			
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓
M. (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

Name of person who carried out the internal audit

Signature of person who carried out the internal audit

Date

\*If the response is 'no' you must include a note to 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).

# APPENDIX C – 2017/18 EXTERNAL AUDIT REPORT

## Section 3 – External Auditor Report and Certificate 2017/18

In respect of

Malvern Town Council (WO0098)

### 1 Respective responsibilities of the body and the auditor

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2018; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work **does not** constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and **does not** provide the same level of assurance that such an audit would do.

### 2 External auditor report 2017/18

On the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with *Proper Practices* and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

Other matters not affecting our opinion which we draw to the attention of the authority:

none

### 3 External auditor certificate 2017/18

We certify that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2018.

External Auditor Name

PKF LITTLEJOHN LLP

External Auditor Signature

Date

27/09/2018

\* Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews for 2017/18 in Auditor Guidance Note AGN/02. The AGN is available from the NAO website ([www.nao.org.uk](http://www.nao.org.uk))