



# **MALVERN TOWN COUNCIL**

## **AUDIT COMMITTEE**

### **REPORTS**

**For meeting on Wednesday 5 June 2024  
at 6.00 pm**

# MALVERN TOWN COUNCIL

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



30 May 2024

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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 5 June 2024 in the Council Chamber, Belle Vue Terrace, Malvern commencing at 6.00pm for the transaction of the business shown on the Agenda below.

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

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

No.	Agenda Item
1.	<b>Election of Chair</b> To elect a Chair of the Audit Committee for 2024/25
2.	<b>Election of Vice-chair</b> To elect a Vice-chair of the Audit Committee for 2024/25
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 ➤ 21 February 2024 (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 2024</b> ➤ Report AC01/24

<b>7.</b>	<b>Review of the effectiveness of the system of internal controls</b> ➤ Report AC02/24
<b>8.</b>	<b>Internal Audit Committee – work plan 2024/25</b> To consider and agree a timetable and programme of works to be carried out by Internal Audit Committee members ➤ Suggestions by committee members and internal auditor
<b>9.</b>	<b>Date of next Audit Committee Meeting</b> ➤ Wednesday 24 July 2024

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

**held on Wednesday 21 February 2024**

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

**Councillors**

Cllr Jude Green (Vice-Chair)  
Cllr Josephine Leibrandt (6.02pm)  
Cllr David Mead  
Cllr David Watkins

**Absent**

Cllr Caroline Bovey (apologies)

**In attendance**

Linda Blake – Town Clerk  
Louise Wall – Minute Clerk  
Cllr Clive Hooper

**27. APOLOGIES FOR ABSENCE**

Apologies for absence from Cllr Caroline Bovey were **NOTED**.

**28. DECLARATIONS OF INTEREST**

None.

**29. MINUTES OF PREVIOUS MEETING**

It was **RESOLVED** that the minutes of the previous Audit Committee meeting held on 31 January 2024 be approved and adopted as a correct record of the proceedings.

**PUBLIC PARTICIPATION**

None.

**30. HEALTH AND SAFETY POLICY – COMPLIANCE WITH CURRENT POLICY AND PROCEDURES**

Report AC01/24 was received and accepted.

The Town Clerk explained that it was the committee's task to review whether the Town Council had systems in place to comply with the current Health and Safety Policy and Procedures.

***Cllr Josephine Leibrandt joined the meeting at 6.02pm***

Members reviewed each section in turn and made the following comments and observations:

Accident reporting – accident books are kept at the offices and the cemetery, and staff are aware that they must be filled in when accidents occur, with copies of reports being sent to the appropriate line manager.

First aid – first aid boxes have been renewed recently, and are checked regularly to ensure that contents have not passed their expiry dates. First aid kits are kept in all Town Council vehicles, at the cemetery lodge and in the offices.

Fire Procedures – there are procedures in place to safely evacuate the building in the case of fire, but it was noted that a new procedure will need to be written once the new community hub/office building is occupied. Escape routes and alarms have been considered in the design and build of the new community hub.

Substances hazardous to health – the operations manager has the relevant qualifications for the Control of Substances Hazardous to Health (COSHH) and

employees are provided with protective equipment and workwear when working with these.

Electricity at Work – appropriate safety measures are taken and Electricity at Work Regulations 1989 adhered to.

Management measures – management of health and safety procedures is carried out by the appropriate line manager.

Council workplaces – once operating from the new community hub building, a review of employees workstations will be carried out, and a budget has been provided for the purchase of new desks and chairs. There is also a budget for the refurbishment of the mess area at the cemetery lodge, used by the operations team.

Display screen equipment – this is reviewed regularly, and there is a work scheme in place for employees to use vouchers for a free eye test once a year, and towards the purchase of glasses required for screen use.

Personal protective equipment – the operations manager carries out regular checks of the PPE provided to the operations staff, including the expiry date. Work wear is provided annually to the operations team, and this includes uniform, safety boots, hi-vis vests/coats and waterproof coats/trousers. Goggles and masks are replaced more frequently, as required.

Manual handling – a record is kept of all training courses undertaken by staff. Training is part of the Town Council’s policy, and staff are sent regular to update and maintain their skills. Manual handling and first aid are included.

Work equipment – all work equipment required for employees to carry out their jobs in a safe and efficient manner is provided, checked and updated. This includes PPE, workwear, tools and machinery.

Members then discussed and agreed to update the wording of clause 9.2 xi. *“The Town Clerk will need to ensure that suitable facilities are provided for staff to rest, especially for any person at work who is a pregnant woman, nursing mother or non-smoker”* to

*“The Town Clerk will need to ensure that suitable facilities are provided for staff to rest, especially for any person at work who is pregnant or nursing”*

With this change, Audit Committee **RECOMMENDED** that the Council should note that systems and controls were in place to comply with its Health and Safety Policy.

**31. AIMS AND OBJECTIVES**

The Town Clerk updated the committee regarding the review of Town Council Aims and Objectives. Although this had been agreed as part of the work plan for the Audit Committee for the 2023/24 year, the task and finish group delegated to carry out the review had not yet been able to finish their work.

Therefore, it was **AGREED** to defer this to the following year, 2024/25, once the task and finish group had completed their review.

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

It was **AGREED** that the next meeting of the Audit Committee would be on Wednesday 5 June 2024 at 6.00 pm.

The meeting ended at 6.30 pm

.....  
(Chairman)

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

**to be held on Wednesday 5 June 2024**

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

**ANNUAL INTERNAL AUDIT REPORT  
FINANCIAL YEAR ENDING 31 MARCH 2024**

**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 2023/24 financial year.

2.2. Committee is asked to receive and accept the report of the Council's Internal Auditor as attached at Appendix A and forward it to the next meeting of Full Council for approval.

**3. Background**

3.1. Malvern Town Council has gross income and gross expenditure of above £200,000 and less than £6.5 million per annum and therefore requires an Intermediate Limited Assurance Level Review.

3.2. PKF Littlejohn LLP has been appointed as the external auditor for Malvern Town Council for a second five-year period from 2022/23. 2023/24 is the second 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. 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. The contract was reviewed in August 2023 when it was agreed that Duncan Edwards would continue to act as the Council's Internal Auditor for a further two years with the option for one more year subject to both parties agreeing.

3.4. The internal auditor has spent time with Town Council staff over three days looking at:

- Financial systems and controls
- Budget setting
- Review of allotment process
- Overarching review of event management
- Staffing – salaries
- Risk management – effectiveness and compliance with control arrangements
- Asset register

- Budget monitoring
  - VAT reclaim arrangements
  - Audit Committee work
- 3.5. The Internal Auditor's report for 2023/24 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 1 July 2024. 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 October 2023 and February 2024.

#### **4. Financial Implications**

- 4.1. The cost of Internal Audit is £1,750. This can be contained within the Council's budget for 2023/24.

#### **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 2023/24 Form 3. This comprises:
- Section 1 – Annual Governance Statement 2023/24, page 4
  - Section 2 – Accounting Statements 2023/24, page 5
  - Section 3 – External Auditor Report and Certificate 2023/24, page 6
  - Annual Internal Audit Report 2023/24, 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 2024 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 2024.
  - g) Make arrangements for the exercise of public rights and publish the Notice of Public Rights and Publication of unaudited Annual Governance and Accountability return and sections one and two of the Annual Return the day before the statutory 30-day period for the public to inspect the accounts begins.
  - h) Submit the approved and signed Annual Return and Working Papers to the External Auditor, no later than 1 July 2024.
- 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 1 July 2024.
- 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 1 July until Friday 9 August 2024.

End

Linda Blake  
Town Clerk



# **DKE AUDIT SERVICES**

## **INTERNAL AUDITOR**

Specialist provider to Town and Town Councils

### **Malvern Town Council**

#### **Internal Audit Report 2023-24**

**For presentation to the Council's Audit Committee on 5th June 2024**

#### **Overview**

This is my third year as the Council's 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 is in line with the requirements to complete the Annual Governance and Accountability Return (AGAR), Annual Internal Audit Report (the AIAR).

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 aid the Council's 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 Council's control arrangements (including financial control) that contribute to the Council's management of risk and the delivery of its aims and objectives.

Through the work I have undertaken and then detailed in the report below I have responded to each of the questions the AIAR asks of the internal auditor.

## Malvern Town Council

### Internal Auditor's assessment for the completion of the AGAR Part 3 Financial Year 2023-24

#### 1. Introduction

I have concluded the Council's annual independent internal audit. I am therefore able to complete the Annual Internal Audit Report (AIAR) 2023-24 which forms part of the Annual Governance and Accountability Return (AGAR) – see Appendix A.

My internal audit considers the evidence available to assess if the Council has effective systems and control arrangements in place for the areas examined. In examining these arrangements focus has been placed on sample testing compliance with a number of 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 undertaken during the financial year in order to review and test the systems and controls operating during that year. The internal audit report details the findings at the time of the internal audit review. The internal audit should inform, it is not designed to offer assurance over the completion of the AGAR sections 1 & 2, responsibility for the accuracy of these submissions rests with the Council. The Council should refer to the Joint Practitioners Advisory Group (JPAG) guidance (the matters to consider) when determining its response to each of the AGAR assertions.

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 and controls. Where weaknesses are identified during the internal audit process, which impact on governance and internal 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 mis-statements or frauds, errors, or instances of non-compliance, as may exist.

As the Council's appointed internal auditor, I confirm that I am independent of the Council.

#### 2. Summary

In the section below I have recorded my AIAR responses and offered some comments by way of explanation for these. Members need to be mindful that this assessment is for specific control areas during 2023/24 to the time of the audit review, up to January 2024.

**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.**

#### 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 (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p><b>A. Appropriate accounting records have been properly kept throughout the financial year.</b></p>	<p><b>Yes</b></p>
<p>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. Payments and receipts 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 and it is suggested these are re-examined in 2024-25. NALC undertook a consultation process on the model Financial Regulations and the revised version is due for release in May/June 2024. AGS assertion 2 references <i>'Model versions of Standing Orders and Financial Regulations are provided by NALC and ADA. Authorities should ensure that they are working from the latest model and that it has been appropriately adapted for their size and requirements. This should be reviewed and minuted annually'</i>.</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 the Council's internal control arrangements; 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,</li> <li>• the invoice or other appropriate documentation,</li> <li>• internal check / authorisation prior to scheduling or payment, and</li> <li>• the approved payment schedule, sample checked by Members.</li> </ul> <p>The approval process to make payment from the Council's bank account is well controlled. At the Annual Meeting the Council agreed the payments release process, being any two from the seven Members to sign and approve internet banking schedules and direct debit instructions, before payments are made by Officers. An</p>	

<p>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>In 2022-23 the Audit Committee reviewed the contract process and recommended <i>'that a tender summary report be made after the award of any contract over £10,000 in value'</i>. It is understood the aim of this recommendation being a 'learning exercise' to ensure the letting process secured the requirements and the intended outcomes were delivered. At the time of the internal audit no contract to the limit specified had been completed. A later review showed two contracts (Christmas lighting &amp; the purchase of a new electric vehicle) were reported to the Operations &amp; Planning Committee at its March 2024 meeting, with both contracts being evaluated (scored). How the added value (utilising what has been learnt) from this process should now be developed to inform future procurements.</p> <p>The Council award small and large grants. The sample testing of the system shows a structured and transparent process operates. Grants are awarded to deliver specific defined benefits, these are monitored and reported.</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. The setting of Council aims and objectives (more specific, targeted and measurable) was referenced in last year's internal audit report as an 'advice' comment; this is currently a 'work in progress'.</p> <p>Effective risk management should be an organisation-wide activity, it is evident from discussion, systems review and testing that risk management, through effective control, is present. Sample testing of the risk mitigation arrangements and records in the areas of event risk, asset inspection, operational staff training, were found to be effective.</p> <p>As stated earlier the AIAR is weighted towards financial management and control. Financial risk is well managed through robust internal checks and approval processes. An example is the purchase and payment control process, where there is segregation of duties within the stages of - order, confirmation of receipt, preparation of the invoice for payment and final approval to pay (providing an audit trail, evidence by initial). The Town Clerk, being the Responsible Financial Officer (RFO) accountable for financial management, oversees and provides the final approval for most financial commitments and transactions.</p> <p>The Council has control processes in place to reduce its IT risk exposure.</p> <p>The delivery of community events needs to be effectively managed, particularly ensuring the risks associated with delivery are controlled. Sample testing showed</p>	

<p>robust arrangements are in place, risks assessments are undertaken, reviewed and signed off.</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 Council's 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>Budget setting for 2024-25 has been aided by greater certainty over the sale of the Belle Vue Terrace office (and lease back), and the furtherance of the Victoria Park project. The narrative in the budget setting report identifies the key factors considered when setting the funding requirement.</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 Council's general reserve has been set in line with the CIPFA guidelines; set at 25% of the Council's precept.</p> <p>The levels of reserves are reviewed annually 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. Review of the 'aged debt' report showed outstanding invoices are monitored and pursued.</p>	

<p>The management of the allotment service has been considered, sound systems are in place, for example in the areas of plot records, prompt billing, recording receipts, recovery of debts, inspections and waiting lists.</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>Sample testing of timesheets showed calculations and payments were in accordance with approved source documents.</p> <p>The responsibility for generating and approving the final payroll schedule each month rests with the Town Clerk. 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>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>Although there is a comprehensive audit trail in support of salary related payments, there is the opportunity to enhance the control arrangement through the introduction of an internal check and verification process. For example, the Operations Manager could undertake sample tests on the final payroll submission each month, which would have the effect of adding control value to the process. Checks undertaken should be confirmed by signature.</p> <p>Staffing matters are overseen by the Council's 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>	

<p><b>H. Asset and investments registers were complete and accurate and properly maintained.</b></p>	<p><b>Yes</b></p>
<p>The Council has a comprehensive and up to date asset register. Assets are periodically revalued and are insured.</p> <p>Sample testing (of play equipment) shows these sites are regularly inspected, and maintained as required.</p> <p>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.</p> <p>During the year the Council has accepted an offer to sell a significant asset, the Belle Vue Terrace site. The creation of the offices and associated facilities at the Victoria Park site was about to commence at the time of the last internal audit visit. It is understood progress has been swift with the Council planning to occupy the new premises early in 2024-25.</p>	
<p><b>I. Periodic bank account reconciliations were properly carried out during the year.</b></p>	<p><b>Yes</b></p>
<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>	
<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></p>	<p><b>Yes</b></p>
<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 Council's financial position.</p> <p>The accounting statements are prepared on the correct accounting basis (income and expenditure), 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>	
<p><b>K. If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt (If</b></p>	<p><b>Not Covered</b></p>

<b><i>the authority had a limited assurance review of its 2022/23 AGAR tick “not covered”</i></b> ).	
The Council did not certify itself as exempt in 2022/23 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>Transparency, through the publication of information, is a key governance expectation for public sector bodies. During the previous year the Audit Committee considered the Council’s transparency arrangements.</p> <p>The Council has a Publication Scheme which details the information available and how it can be accessed. The Accounts and Audit Regulations has publication requirements, for example, the AGAR for the last five year must be published on the Council’s website; the Council complies with this.</p> <p>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 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).</b>	<b>Yes</b>
The documents on the Council’s 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 2022/23 AGAR (see AGAR Page 1 Guidance Notes).</b>	<b>Yes</b>
The document on the Council’s website, shows it correctly provided for the publication requirements for the 2022/23 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





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 2023 and January 2024

Duncan Edwards (2023/24 internal audits)

**Annual Internal Audit Report 2023/24**

Malvern Town Council

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

During the financial year ended 31 March 2024, 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 2023/24 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 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 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 2023-24 AGAR period, were public rights in relation to the 2022-23 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 2022/23 AGAR (see AGAR Page 1 Guidance Notes).	✓		
<b>O. (For local councils only)</b> 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).

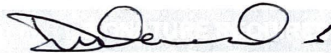
Date(s) internal audit undertaken

07/11/2023 31/01/2024

Name of person who carried out the internal audit

Duncan Edwards (DKE Audit Services)

Signature of person who carried out the internal audit



Date

08/05/2024

**\*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 5 June 2024**

**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 2023/24.

**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 2023/24 at their meeting in June 2023. 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 scheduled for the 2023/24 year was as follows:
- 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
  - Aims and objectives – ensure aims and objectives are clearly defined and look at controls in place to measure whether these are met
- 3.5. The first two items 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. The final item has needed to be deferred as the Town Council's aims and objectives task and finish group are still completing their work.
- 3.7. 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.
- 3.8. The findings from the annual review of the effectiveness of the Council's system of internal control is used to prepare the Annual Governance Statement, part of the AGAR and attached at appendix A to this report.

**4. Financial Implications**

4.1. None.

**5. Legal Implications**

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

End

Linda Blake  
Town Clerk

**Section 1 – Annual Governance Statement 2023/24**

We acknowledge as the members of:

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2024, that:

	Agreed		'Yes' means that this authority:
	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
			<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>

**\*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 Chair and Clerk of the meeting where approval was given:

Chair

Clerk