

**John P Watson & Co**

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**Village Council of Chelmer**

**Interim Internal Audit Report 2023-24**

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## **Introduction**

Legislation introduced from 1<sup>st</sup> April 2001, requires all Town and Parish Councils to implement an independent internal audit examination of their accounts and accounting processes annually. The following report complies with these requirements.

This report sets out the work undertaken in relation to the 2023-24 financial year, during the course of the interim audit, which took place from 1st to 14th November 2023.

## **Background**

Following a Community Governance Review undertaken by Chelmsford City Council in accordance with the Local Government and Public Involvement in Health Act 2007, the Village Council of Chelmer was created with effect from 1st April 2023. A Shadow Council was appointed with effect from that date and Councillors were formally elected (unopposed) to the Village Council of Chelmer in the May 2023 elections.

## **Internal Audit Approach**

The basis of the review is that regard should be given to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. The programme of cover has been designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective control of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to assist the completion of the 'Internal Audit Report' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

On the basis of the programme of work undertaken during the interim audit to date, it can be reported that the Council maintains adequate and effective internal control arrangements.

This report has been prepared for the sole use of The Village Council of Chelmer. To the fullest extent permitted by law, no responsibility or liability is accepted by John P Watson & Co to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

# 1 Accounting Records & Bank Reconciliations

## a) Objective

To ensure that the accounting records are being maintained accurately and currently and that no incorrect or inexplicable entries appear in cashbooks or financial ledgers.

## b) Detail

- i. There is one bank account in operation this being with the Unity Bank.
- ii. The Council maintains their accounting records on the Rialtas Accounting System which is more than adequate for a Council of this size.
- iii. In normal circumstances it would be appropriate to reconcile the opening Rialtas cashbook balance for 2023-24 to the 2022-23 closing Statement of Accounts and the certified AGAR detail. As the Village Council of Chelmer is new Parish Council this is not required.
- iv. There is a receipts and payments coding analysis structure in place in the accounting system which is more than adequate and remains appropriate for purpose.
- v. VAT is identified separately in the accounts coding structure.
- vi. All transactions in the cashbook of the Unity Bank have been checked for the six months to 30<sup>th</sup> September 2023. All were complete and accurate and had been prepared in a timely manner.
- vii. Bank Reconciliations were prepared on a monthly basis. These have been checked and were complete and accurate. It is noted that, from the paperwork presented, the Bank Reconciliations are not being signed by a Councillor on a regular basis as required by Clause 2.2 of the Council's Financial Regulations. It is **recommended** that this be done.
- viii. The account remained "in balance" at the end of the period under review.

## c) Conclusion

- i. It is **recommended** that the Bank Reconciliations are signed on a regular basis as required by Clause 2.2 of the Council's Financial Regulations.

# 2 Corporate Governance

## a) Objective

To ensure that the Council has a robust regulatory framework in place, that Council meetings are conducted in accordance with the adopted Standing Orders and that, bearing in mind we do not attend Council or Committee meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

## b) Detail

- i. The Council Minutes have been reviewed for the six months to 30th September 2023 by reference to the Council's website and to copies emailed by the Deputy Clerk, to identify whether any issues arise that may have an adverse effect on the Council's future financial stability, either in the short, medium or longer term.
- ii. It is noted that Committee Minutes are not reported to and approved at Council meetings. It is good practice to do so and it is **recommended** that this be done.
- iii. Standing Orders were adopted at the Council meeting held on 16th May 2023 (minute 6 refers).
- iv. Financial Regulations were adopted at the Council meeting held on 16th May 2023 (minute 8 refers).
- v. The Council did not go out to tender in the period under review. It is understood that the contract with the Grounds Maintenance Contractor was transferred to the Village Council of Chelmer by Springfield Parish Council and is part of a three year contract.
- vi. Transparency Code requirements for Councils with an income for the year of less than £200,000 have not been addressed as part of this Interim Internal Audit. This matter will be covered in the Final Internal Audit.
- vii. The Council has adequate arrangements in place to back up its systems with all transactions being backed up to local disk "c" and with their IT Contractor carrying out an "offsite" back up once a week.

**c) Conclusion**

- i. It is **recommended** that Committee Minutes be submitted to and approved at Council meetings.

### 3 Expenditure

**a) Objective**

To ensure that the Council follows good practice when making payments.

**b) Detail**

- i. All payments for the six months to 30th September 2023 were checked with no issues arising.
- ii. All Payments were supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due. It is noted that Springfield Parish Council charge the Village Council of Chelmer for various items of expenditure on an irregular basis. It is **recommended** that, to accurately identify expenditure against budget, it is requested that all items of expenditure are charged by Springfield Parish Council on at least a quarterly basis on the last day of each quarter.
- iii. All payments were approved by Council members as required, a detailed policy being in place for the approval of payments.
- iv. All discounts due on goods and services were taken where appropriate.

- v. With one exception, the correct expense codes have been applied to all payments. It is noted that all salaries have been coded to expense code 4000 which covers administration staff. It is **recommended** that maintenance staff salaries be coded separately to the appropriate accounts expense code.
- vi. VAT has been appropriately identified and coded to the control account for periodic recovery.
- vii. It is noted that details of each months' payments have been presented to Members of the Finance Committee. See the recommendation at 2, c), I, above.
- viii. No VAT Returns have been submitted to HMRC for recovery of VAT during the period under review.

**c) Conclusion**

- i. It is **recommended** that it is requested that all items of expenditure from Springfield Parish Council are charged on at least a quarterly basis on the last day of each quarter.
- ii. It is **recommended** that maintenance staff salaries be coded separately to the appropriate accounts expense code.

## 4 Risk

**a) Objective**

To ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks.

**b) Detail**

- i. The Council has a detailed Risk Management policy in place in respect of their assets which was originally prepared by Springfield Parish Council. It is **recommended** that this be extended to include Data Protection. This policy has yet to be approved by Council and Council are reminded of the Governance and Accountability Manual - Practitioners Guide (2014 edition) mandatory requirement that Risk Assessments are reviewed and re-adopted formally by the Council each year.
- ii. Council regularly undertakes relevant health and safety inspections in respect of appropriate amenities. It is noted that the Council is responsible for Play Equipment. Council is reminded that it is a statutory requirement to retain all playground inspection reports for a period of eighteen plus three years, twenty-one years in total, and to ensure that a reasonable and proportionate Playground Management Policy is in maintained.
- iii. Council's insurance is with Hiscox through the brokers Gallagher. The current policy expires on 3rd July 2023 with Employers and Public Liability being set at £10m and Fidelity Guarantee being set at £500k. Other cover appears adequate but it is **recommended** that Council review all cover to ensure that their assets are insured adequately.

**c) Conclusion**

- i. It is **recommended** that the Risk Management policy be extended to include Data Protection.
- ii. It is **recommended** that Council review all insurance cover to ensure that their assets are insured adequately.

## 5 Precept Determination

**a) Objective**

To ensure that the Council has the appropriate procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council.

**b) Detail**

- i. The precept for 2023-2024 in the amount of £187,257 was agreed by Chelmsford City Council prior to the formation of the Village Council of Chelmer.
- ii. The precept for 2024-2025 will be agreed by Council at their meeting in December 2023, the Finance Committee held on 20th October 2023 having discussed a draft precept of £219,161. The procedure in arriving at this precept will be reviewed at the final audit.

**c) Conclusion**

There are no matters to be commented on in this area of the Report.

## 6 Budget Control

**a) Objective**

To ensure that Council has an effective reporting and monitoring process in place and also to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

**b) Detail**

- i. The Finance Committee are provided with detail of the monthly payments generated by the Rialtas software. It is noted that this is provided by means of a listing rather than a schedule produced by Rialtas. It is **recommended** that the Finance Committee be supplied with a schedule of monthly payments and receipts as produced by the Rialtas software and that the Finance Committee minutes approving that expenditure is submitted to Council for approval (see ref 2, C, I, above)
- ii. To date neither the Finance Committee nor Council are provided with regular budgetary performance Reports. Whilst it is appreciated that the Council is very new it is **recommended** that budgetary performance reports produced on the Rialtas system are prepared and considered on at least a quarterly basis.

- iii. An analysis of general and earmarked reserves will be completed at the year end.

**c) Conclusion**

- i. It is **recommended** that the Finance Committee be supplied with a schedule of monthly payments and receipts as produced by the Rialtas software and that the Finance Committee minutes approving that expenditure is submitted to Council for approval.
- ii. It is **recommended** that budgetary performance reports produced on the Rialtas system are prepared and considered on at least a quarterly basis.

## 7 Income

**a) Objective**

To ensure that Council has appropriate procedures in place to ensure that all income due is identified, invoiced (if necessary), recovered and banked in a timely manner.

**b) Detail**

- i. The sources of income currently available to the Council are the precept, and allotments.
- ii. The allotment fees currently charged were approved by Springfield Parish Council in September 2022. It is **recommended** that these fees be reviewed when preparing the 2024-2025 budget and precept.
- iii. Allotment income has been verified by reference to a schedule of allotment holders and income received with no issues arising.

**c) Conclusion**

- i. It is **recommended** that allotment fees be reviewed when preparing the 2024-2025 budget and precept.

## 8 Petty Cash

**a) Objective**

To ensure that the Council follows good practice when making cash payments.

**b) Detail**

The Council does not operate a Petty Cash account.

**c) Conclusion**

There are no matters to be commented on in this area of the Report.

## 9 Salaries

**a) Objectives**

To confirm that current Employment Law is being appropriately observed together with the requirements of HM Revenue and Customs (HMRC)

legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the revised local government pension scheme, to which employees contribute.

**b) Detail.**

- i. The Village Council of Chelmer technically employ three staff. Two of these (The Clerk and Maintenance Employee) are employed by Springfield Parish Council and an agreed percentage of their Salary is charged to the Village Council of Chelmer.
- ii. The Deputy Clerk is an employee of the Village Council of Chelmer although that salary is processed as part of the Springfield Parish Council payroll.
- iii. The payroll is processed “in house” on Sage software by Springfield Parish Council.
- iii. Springfield Parish Council charge the Village Council of Chelmer the Deputy Clerk’s Gross Salary and Employer’s NI contributions, supposedly on a quarterly basis. It is **recommended** that it be requested that all items of expenditure from Springfield Parish Council are charged on at least a quarterly basis on the last day of each quarter (see 3. C. i above).
- iv. The payslip for the Deputy Clerk has been checked for the month of August 2022 ensuring that the correct gross salary has been paid and the appropriate deductions have been made in respect of PAYE, NI and pension contributions.
- v. It would be normal to confirm that all required payments have been made to HMRC in respect of PAYE/NI deductions and to Essex County Council Local Government Pension Scheme in respect of pension deductions. As this is done by Springfield Parish Council it is not within the remit of this audit and has not been possible to confirm.

**c) Conclusion**

- i. It is **recommended** that it be requested that all items of expenditure from Springfield Parish Council are charged on at least a quarterly basis on the last day of each quarter

## 10 Asset Register

**a) Objective**

To ensure that the Council develops and maintains a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council as required by the Governance and Accountability Manual.

**b) Detail**

- i. The Council maintains a formal Asset Register which has been prepared, initially using purchase cost uplifted or decreased to reflect the acquisition or disposal of any assets (where applicable) during the financial year. It is noted that the Asset Register includes a “revalued” column and Council’s attention is drawn to the fact



that Local Authority Assets should remain valued at cost price, this value being used in the end of year AGAR.

- ii. An in depth review of the Asset Register will be conducted at the final visit.

**c) Conclusion**

There are no matters to be commented on in this area of the Report.

## 11 Investments and Loans

**a) Objective**

To ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

**b) Detail**

- i. It is pointed out that where “investments” including cash at bank are held in excess of £100,000 a formal Investment Policy must be in place. It is noted that the Council’s “investments” do exceed this threshold at certain times of the year It is **recommended** that Council prepare an Investment Policy annually and that this Investment Policy is agreed by Council and is loaded on their website.
- ii. It is **recommended** that Council take note of the government’s Financial Services Compensation Scheme which gives a maximum level of protection of £85,000 invested in one institution and they investigate opening a second bank account with a bank other than Unity Bank to protect their funds.
- iii. Council holds no long-term investments.
- iv. Council does not have any loans with external bodies repayable by or to it.

**c) Conclusion**

- i. It is **recommended** that Council prepare an Investment Policy annually and that this Investment Policy is agreed by Council and is loaded on their website.
- ii. It is **recommended** that Council take note of the government’s Financial Services Compensation Scheme which gives a maximum level of protection of £85,000 invested in one institution and they investigate opening a second Bank account with a bank other than Unity Bank to protect their funds.

## 12 Statement of Account and AGAR

**a) Objective**

To ensure Council meets the requirements of the 1996 Accounts and Audit Regulations in that they must prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

**b) Detail**

No work can be done in this area until the year end

**c) Conclusion**

There are no matters to be commented on in this area of the Report.

**17th November 2023**