

HEELIS&LODGE

Local Council Services • Internal Audit

Year End Internal Audit Report for Chigwell Parish Council – 2023/2024

The following Internal Audit was carried out on the adequacy of systems of control in accordance with the requirements of the Audit and Accounts Regulations 2015 and the guidance and instruction in the Practitioners Guide 2023 and should be read in conjunction with the **Interim Internal Audit report dated 26/1/2024**. The following recommendations/comments have been made:

Income: £430,459.83 Expenditure: £516,803.99 Reserves: £508,276.13

AGAR Completion:

Section One: **No**

Section Two: **No – draft figures available**

Annual Internal Audit Report 2023/2024: **Yes**

Certificate of Exemption: **No**

Financial regulations

Standing Orders and Financial Regulations

Tenders

Appropriate payment controls including acting within the legal framework with reference to council minutes

Identifying VAT payments and reclamation

Cheque books, paying in books and other relevant documents

VAT reclaimed during the year: **Yes** Registered: **No**

Submission Period:

Amount:

01/10/2023 – 31/12/2023 £12,906.09

01/07/2023 – 30/09/2023 £4,972.25

01/04/2023 – 30/06/2023 £7,897.10

01/01/2024 – 31/03/2024 £9,538.48

There was evidence of one tender during the year that exceeded the £30,000 Public Contract Regulations threshold. Evidence in the minutes supports that the tender was advertised in accordance with the Public Contracts Regulations.

Risk Assessment

Appropriate procedures in place for the activities of the council

Compliance with Data Protection regulations

Fidelity Cover: **£1,000,000**

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The level of Fidelity cover is within the recommended guidelines of year end balances plus 50% of the precept.

It is noted that the Council appointed Epping Forest District Council to undertake a review of processes for the Parish Council. The final report was issued on 12/3/2024. The draft report was considered by the Finance & Governance Committee at a meeting held on 5/3/2024 (Ref: FG180/23). There were 4 recommendations made in the report which the Council are reviewing.

The Council has effective Internal Control processes in place. As part of the this process, the Council undertakes quarterly examinations of:

- *Bank Reconciliations for all accounts*
- *Uncashed receipts/transfers*
- *A sample of current accounts transactions*
- *Cash receipts*

This has been undertaken for the following periods:

Quarter 1 - June 2023

Quarter 2 – September 2023

Quarter 3 – December 2023

Quarter 4 – February and March 2024

Transparency

Under the **Transparency code for smaller authorities**, smaller councils with income/expenditure under £25,000 should publish on their website from 1 April 2015:

Smaller Council: **No**

Website: <https://www.chigwellparishcouncil.gov.uk/>

The Council is not subject to the requirements of the Transparency Code for smaller Councils. The Transparency Code for Councils with a turnover exceeding £200,000 is not covered as part of the Internal Audit.

Under **The Accounts & Audit Regulations 2015 15** councils must publish on their website:

External audit report

2023 Annual Return, Section One Published – Yes

2023 Annual Return, Section Two Published – Yes

2023 Annual Return, Section Three Published – Yes

Under **The Accounts & Audit Regulations** councils must publish on their website:

Notice of period for the exercise of public rights

Published – Yes

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Period of Exercise of Public Rights

Publication Date: 27/6/2023

Start Date: 28/6/2023

End Date: 8/8/2023

Under the requirements of the **Accounts and Audit Regulations 2015 13(2b)** council are required to display AGARs for the five years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 on their website.

The Council have met all the publication requirements.

Budgetary controls
supporting documents

Verifying the budgetary process with reference to council minutes and

Precept: Increase of 0% (2023-2024) Date: 26/1/2023 (Ref: 6/23)

Precept: Increase of 5% (2024-2025) Date: 23/1/2024 (Ref: 64.3)

Please refer to the 2022-2023 Internal Audit reports and the External Auditor's report regarding the setting of the 2023-2024 precept. The precept for 2024-2025 was set on 23/1/2024, however, the minutes simply record a 5% increase (as recommended by the Finance & Governance Committee). There is no record of the precept amount in the minutes.

Recommendation: *To formally record the precept amount in the minutes.*

Income controls

Precept and other income, including credit control mechanisms

Fees for allotments, cemetery and Victory Hall were reviewed and approved at a meeting held on 23/1/2024 (Ref: 64/1).

Payroll controls

PAYE and NIC in place where necessary.
Compliance with Inland Revenue procedures
Records relating to contracts of employment

PAYE System in place: Yes

Employer's Reference: 120/C25177

P60s issued: Yes

The Council continue to operate RTI in accordance with HMRC regulations. Payroll is outsourced. Supporting paperwork is in place and P60s have been produced as part of the year end process. Eligible employees have joined the nominated pension scheme.

Asset control

Inspection of asset register and checks on existence of assets
Cross checking on insurance cover

A separate asset register is in place. Values are recorded at cost value/insurance value. The total value of assets are recorded at £2,978,667. The figure in the asset register corresponds with the figure in Section 2, Box 9 of the AGAR.

Bank Reconciliation

Regularly completed and cash books reconcile with bank statements

All were in order. Bank Reconciliations are carried out regularly. The bank statements reconciled with the end of year accounts and bank reconciliations for all accounts.

Bank Balances at 31 March were confirmed as:

HSBC	xxxx4574	£18,154.89 (unconfirmed)
Barclays	xxxx5709	£0
Cambridge	xxxx6749	£86,595.59
Barclays	xxxx1941	£0
Unity Trust	xxxx1075	£419,403.64

The bank statement for the HSBC account was not available for the audit. Efforts are continuing with the bank to resolve this.

Reserves

General Reserves are reasonable for the activities of the Council
Earmarked Reserves are identified

The Council have adequate general reserves of £202,026.13 and have identified earmarked reserves of £300,000 and capital reserves of £6,250 in their year end accounts.

Year-end procedures

Appropriate accounting procedures are used and can be followed through from working papers to final documents
Verifying sample payments and income
Checking creditors and debtors where appropriate.

End of year accounts are prepared on an Income & Expenditure basis. Creditors and Debtors are identified within the year end accounts.

Internal Audit Procedures

The 2023-2024 Interim Internal Audit report was considered by the Council at a meeting held on 6/2/2024 (Ref: FG166.23). The Council have considered the recommendations in the report and an action list is being drawn up.

Heelis & Lodge were appointed as Internal Auditor at a meeting held on 23/1/2024 (Ref: 64.5).

External Audit

The Council formally approved the 2023 AGAR at a meeting of the full Council held on 26/6/2023 (AGAR form). This could not be verified as the minutes of the meeting were not available for audit.

There is no evidence in the minutes that the 2022-2023 External Auditor's report was considered at a meeting and the comments made, noted.

Recommendation: *To ensure that the External Auditor's report (Section 3 of the AGAR) is considered at a meeting and the consideration minuted.*

The following matters were brought to the attention of the Council:

The AGAR has not been signed in accordance with the Accounts and Audit Regulations 2015:

- Section 1 was not signed by the Clerk.

The AGAR was not accurately completed before submission for review.

- Information received from the smaller authority indicates that assets purchased during the prior year have not been included in Section 2, Box 9.

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

In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to weaknesses in relation to the precept amount not being recorded in minutes. The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner.

The smaller authority has not provided:

- year end bank statements for the Cambridge & Counties and HSBC accounts as at 31 March 2023 to support the bank reconciliation to Section 2, Box 8. These were requested as part of our intermediate review procedures.

Additional Comments/Recommendations

- The minutes of the full Council meeting held on 30/11/2023 are on the website, however there is not a signed copy in the minute folder.

Recommendation: To approve the minutes of the 30/11/2023 at the next full Council meeting and maintain a signed copy in the minute folder.

- I would like to take this opportunity to congratulate the Council on their new website.
- There are no additional comments/recommendations to make in relation to this audit.
- I would like to record my appreciation to the Acting Proper Officer for their assistance during the course of the audit work



Heather Heelis
Heelis & Lodge
24 May 2024

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Local Council Services • Internal Audit

Interim Internal Audit Report for Chigwell Parish Council – 2023/2024

The following Internal Audit was carried out on the adequacy of systems of control in accordance with the requirements of the Audit and Accounts Regulations 2015 and the guidance and instruction in the Practitioners Guide 2023. The following recommendations/comments have been made:

Proper book-keeping Cash Book, regular reconciliation of books and bank statements. Supporting vouchers, invoices and receipts

The Council hold the General Power of Competence (GPC) and LGAs137 does not apply. It is noted that the Council may not meet the GPC criteria at the forthcoming elections.

Audit trails were carried out on every twentieth transaction on the months of December, September, July and April 2023. All was found to be in order.

Financial regulations Standing Orders and Financial Regulations
Tenders
Appropriate payment controls including acting within the legal framework with reference to council minutes
Identifying VAT payments and reclamation
Cheque books, paying in books and other relevant documents

Standing Orders in place: Yes
Reviewed: 23/5/2023 (minutes unavailable to confirm the review)
Financial Regulations in place: Yes
Reviewed: 23/5/2023 (minutes unavailable to confirm the review)

VAT reclaimed during the year: Yes Registered: No

Submission Period:	Amount:
1/10/2023 – 31/12/2023	£12,906.09
1/7/2023 – 30/9/2023	£4,972.25
1/4/2023 – 30/6/2023	£7,897.10

General Power of Competence: Yes (Ref: 17/5/2022 – item 22.016)

There were no tenders during the year that exceeded the £25,000 Public Contract Regulations threshold.

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Risk Assessment

Appropriate procedures in place for the activities of the council
Compliance with Data Protection regulations

Risk Assessment document in place: Yes
Data Protection registration: Yes Ref: Z2893347

Data Protection

The General Data Protection Regulations have changed and the new Regulations came into force on 25 May 2018. It is likely that this will affect the way in which the Council handles its data. Due to the financial risk associated with the General Data Protection Regulations, the Council have included this in their Risk Assessment.

Privacy Policy published: Yes

Insurance was in place for the year of audit. The Risk Register was reviewed at a meeting held on 11/5/2023 (Ref: 24/23) in accordance with the audit requirements.

The Council have internal financial controls in place. The Clerk provides financial reports to council meetings. Councillors are provided with information to enable them to make informed decisions. The Council appointed two councillors to look at internal controls at a meeting held on 3/8/2023 (Ref: item 8). The reports produced as part of this process will be examined as part of the year end Internal Audit.

The annual play area inspection has been undertaken during the year on the Chigwell Row and Station Road play areas (Ref 15/6/2023).

It is noted that a forensic audit has been undertaken during the year (Ref: 7/11/2023 – FG87/23). It would be useful to have a copy of the forensic audit report for the year end audit.

Bank mandates were reviewed and agreed at a meeting held on 18/5/2023 (Ref: 47/23).

Fidelity Cover: £1,000,000

The level of Fidelity cover is within the recommended guidelines of year end balances plus 50% of the precept.

Transparency

Under the **Transparency code for smaller authorities**, smaller councils with income/expenditure under £25,000 should publish on their website from 1 April 2015:

Smaller Council: No

Website: <https://www.chigwellparishcouncil.gov.uk/>

The Council is not subject to the requirements of the Transparency Code for smaller Councils. The Transparency Code for Councils with a turnover exceeding £200,000 is not covered as part of the Internal Audit.

Under **The Accounts & Audit Regulations 2015 15** councils must publish on their website:

External audit report
2023 Annual Return, Section One Published – Yes
2023 Annual Return, Section Two Published – Yes
2023 Annual Return, Section Three Published – No

Under **The Accounts & Audit Regulations** councils must publish on their website:

Notice of period for the exercise of public rights
Published – Yes

Period of Exercise of Public Rights

Publication Date: 27/6/2023
Start Date: 28/6/2023
End Date: 8/8/2023

Under the requirements of the **Accounts and Audit Regulations 2015 13(2b)** council are required to display AGARs for the five years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 on their website.

The Council have not yet met all the publication requirements. The signed External Auditor's opinion must be published on the website.

Recommendation: *To publish the signed External Auditor's opinion (Section 3) on the Council's website.*

Budgetary controls supporting documents

Verifying the budgetary process with reference to council minutes and

Precept: Increase of 0% (2023-2024) Date: 26/1/2023 (Ref: 6/23)

Please refer to the 2022-2023 Internal Audit reports and the External Auditor's report regarding the setting of the 2023-2024 precept. At the date of this audit the Council had not yet set the precept for 2024-2025. This will be examined at the year end along with the confirmed budget.

Income controls

Precept and other income, including credit control mechanisms

All were found to be in order. Income controls were checked and a sample of income received and banked cross referenced with the Cash Book and bank statements.

Petty Cash

Associated books and established system in place

A satisfactory petty cash system is in place with supporting paperwork. A sample of receipts were for accuracy against the vouchers and cash book from April to December 2023. All were found to be in order.

Payroll controls

PAYE and NIC in place where necessary.
Compliance with Inland Revenue procedures
Records relating to contracts of employment

PAYE System in place: Yes
Employer's Reference: 120/C25177
P60s issued: Yes

The Council continue to operate RTI in accordance with HMRC regulations. Payroll is outsourced. Supporting paperwork is in place and P60s have been produced as part of the year end process. Eligible employees have joined the nominated pension scheme and contributions were up to date to 31/12/2023.

It is noted that the Council have minuted the National Pay Award and that backpay would be included in the December 2023 pay (Ref: 7/11/2023 – FG83/23).

It is noted that staff appraisals would take place before the end October 2023, however, as no minutes were available beyond 13/9/2023 at the time of audit so it cannot be confirmed that this had been completed. This will be followed up at the year end Internal Audit.

An examination on alternate payroll transactions for the months of December (to include backpay from the National Pay Award), September, August and April 2023 was undertaken. All was found to be in order.

Asset control

Inspection of asset register and checks on existence of assets
Cross checking on insurance cover

A separate asset register is in place. Work is currently ongoing to bring it up to date. A further examination will take place at the year end audit.

Bank Reconciliation

Regularly completed and cash books reconcile with bank statements

All were in order. Bank Reconciliations are carried out regularly. The bank statements reconciled with the end of year accounts and bank reconciliations for all accounts.

Bank Balances at 31 December 2023 were confirmed as:

HSBC	xxxx4574	£18,154.89
Barclays	xxxx5709	£0
Cambridge	xxxx6749	£86,595.59
Barclays	xxxx1941	£461,360.06
Unity Trust	xxxx1075	£36,442.80

Reserves

General Reserves are reasonable for the activities of the Council
Earmarked Reserves are identified

To be carried out at the year end audit in conjunction with the year end reserves, the approval of the budget and the confirmed budget.

Year-end procedures

Appropriate accounting procedures are used and can be followed through from working papers to final documents
Verifying sample payments and income
Checking creditors and debtors where appropriate.

To be examined at the year end.

Sole Trustee

The Council has met its responsibilities as a trustee

The Council is not a sole trustee.

External Audit

The Council formally approved the 2023 AGAR at a meeting of the full Council held on 26/6/2023 (AGAR form). This could not be verified as the minutes of the meeting were not available for audit.

There is no evidence that the External Auditor's report has been considered at a meeting. This will form part of the year end Internal Audit.

The following matters were brought to the attention of the Council:

The AGAR has not been signed in accordance with the Accounts and Audit Regulations 2015. Section 1 was not signed by the Clerk.

Section 1 was subsequently signed on 27/9/2023.

The AGAR was not accurately completed before submission for review.
Information received from the smaller authority indicates that assets purchased during the prior year have not been included in Section 2, Box 9.

It is noted that the Council are currently reviewing the asset register in preparation for the 2024 year end.

In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to weaknesses in relation to the precept amount not being recorded in minutes. The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner.

Minutes were not available to confirm the setting of the 2024-2025 precept so this will be covered at the year end audit.

The smaller authority has not provided:
Year end bank statements for the Cambridge & Counties and HSBC accounts as at 31 March 2023 to support the bank reconciliation to Section 2, Box 8. These were requested as part of our intermediate review procedures.

It is noted that the Council have had ongoing difficulties with bank mandates on these two accounts. It is hoped that these will be resolved by the year end.

Additional Comments/Recommendations

- Requirements for the Annual Parish Council meeting could not be confirmed as the minutes for the 2023 meeting were not available.
- Full Council minutes were only available for the following meetings during the year of audit:
21/9/2023, 3/8/2023, 18/5/2023
- It is noted that the minutes of the 2022 Annual Parish Council meeting were signed off at the meeting held on 23/5/2023. For clarification the minutes of the Annual Parish Council meeting should be signed off at the following full Council meeting.
Recommendation: To sign off the 2023 Annual Parish Council meeting minutes at the next full Council meeting and prior to the year end Internal Audit visit.
- Minutes are not always signed and consecutively numbered, as required by law.
Recommendation: To ensure each minute page is signed and the last page signed and dated.
Recommendation: To ensure that minutes kept in loose leaf format are consecutively numbered as opposed to page numbered by meeting. Consecutive minute item numbering is also acceptable.
- There is only one set of minutes on file for the Personnel Committee, these relate to the meeting held on 13/9/2023.
Recommendation: To ensure all minutes of full Council and all committees are available for the year end Internal Audit and published on the website.
- There are no additional comments/recommendations to make in relation to this audit.
- I would like to record my appreciation to the Clerk to the Council for their assistance during the course of the audit work



Heather Heelis
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26 January 2024