

John P Watson & Co

West Mersea Town Council

Interim Internal Audit Report 2024-25

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Introduction

Legislation introduced from 1st 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 respect of the 2024-25 financial year, during the course of the interim audit, which took place on 11th February 2025. The interim audit covers the six months to 30th September 2024 although some actions taken by the Council subsequent to that date have been included in the Report.

As detailed in the Joint Panel on Accountability and Governance Practitioners' Guide, it is not the purpose of either the Internal or External Audit to detect or prevent fraud.

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 audit to date, it can be reported that, in certain area, the Council has not maintained adequate and effective internal control arrangements and this will be highlighted later in the Report. It is understood that there have been staffing issues and that a new Town Clerk and new Responsible Finance Officer have recently been appointed.

This report has been prepared for the sole use of West Mersea Town Council. 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 are five bank accounts in operation. Three accounts are with Barclays Bank being a Business Current account and two Business Premium accounts. There are also bank accounts with NS&I and Unity Trust.
- ii. The Council maintains their accounting records on the Edge Accounting System which is more than adequate for a Council of this size.
- iii. The opening Edge cashbook balances for 2024-25 have been reconciled to the 2023-24 closing Statement of Accounts and the certified AGAR detail.
- 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. It is noted that the Council's computer systems are backed up by their IT provider and to the Cloud
- vii. All transactions in the cashbooks of the Barclays Bank accounts, the NS&I account and the Unity Trust account have been checked for the six months to 30th September 2024. All were complete and accurate.
- viii. It is understood that payments and receipts and bank reconciliations during the period under review were not entered and prepared on a monthly basis but that an external accountant was employed in September to post the financial transactions on the Edge accounting system and bring the reconciliations up to date. These have been checked and were complete and accurate. It is pointed out that Box A of the Annual Internal Audit Report requires the Internal Auditor to confirm that "appropriate accounting records have been properly kept throughout the year". Currently it would not be possible to give this confirmation. It is **recommended** that payments and receipts are entered onto the accounting system each month. It is also **recommended** that bank reconciliations are carried out on a monthly basis.
- ix. Due to the work having been completed by the external accountant all accounts remained "in balance" at the end of the period under review.

c) Conclusion

- i. It is **recommended** that payments and receipts are entered onto the accounting system each month.
- ii. It is **recommended** that bank reconciliations are carried out on a monthly basis

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 year to date by reference to the Council's Minute Book and the Website 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. It appears that Council have not been receiving regular reports of payment made. See 3.b.viii below.
- ii. Standing Orders were reviewed and agreed at the Council meeting held on 11th April 2024 (minute 24/79 refers). Financial Regulations were last reviewed on 7th March 2024. It is understood that they will be revived in March 2025.
- iii. It is noted that Council are going out to tender in respect of various works being carried out in their catchment area.
- iv. Although the Council is not required to comply with the Transparency Code as its turnover is in excess of £25,000, the Council maintains a reasonably adequate website which meets all the current requirements of the Accessibility Act.
- v. The Council has correctly provided the proper opportunity for the exercise of public rights in respect of the year to 31st March 2024 in accordance with the requirements of the Accounts and Audit Regulations at the appropriate time.
- vi.

c) Conclusion

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

3 Expenditure

a) Objective

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

b) Detail

- i. All payments over £200 plus approximately every 20th payment for the six months to 30th September 2024 were checked against the bank statements.
- 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.
- iii. It is noted that, at the start of the year under review invoices were attached to an Edge payment schedule and circulated to Councillors. Currently it appears that that invoices are being seen

by Councillors approving the online payment but are not being initialled. It is **recommended** that Councillors initial invoices when approving payment.

- iv. All discounts due on goods and services were taken where appropriate.
- v. The correct expense code(s) had been applied to all payments.
- vi. With one small exception VAT has been appropriately identified and coded to the control account for periodic recovery. This has been brought to the attention of the Responsible Financial Officer.
- vii. Payments by Debit Card are approved by Council as part of the normal payment process.
- viii. It appears that Council are not receiving regular reports at their meetings of payments made. It is **recommended** that this be done.
- ix. The VAT Returns for 2023/204 were submitted late and the Council incurred a fine of £200.
- x. In the year under review VAT Returns have been submitted to HMR&C for recovery on a quarterly basis, the returns for the two quarters to 30th September 2024 having been completed and submitted accordingly and subsequently settled by HMR&C

c) Conclusion

- i. It is **recommended** that Councillors initial invoices when approving payment.
- ii. It is **recommended** that regular reports of expenditure are presented to Council

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. Council have completed their Risk Assessment Review at the Council meeting held on 11th April 2024 (minute 24/79 refers).
- ii. Council regularly undertakes the relevant health and safety inspections in respect of appropriate amenities with the Groundsmen checking the play area on a weekly basis, preparing weekly reports and taking action as necessary. Additionally, Colchester City Council undertake quarterly checks and an annual inspection is carried out by a RoSPA accredited company. It is understood that the weekly reports prepared by the Groundsmen are kept for twenty one years.
- iii. Council's insurance is with Zurich with the policy effective to 30th June 2025. Employers and Public Liability are covered to £10m and Fidelity Guarantee is covered at £1m.

c) Conclusion

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

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 2024-25 in the amount of £373,287 was agreed by Council at their meeting on 18th 2024 (minute 24/17 b refers)
- ii. The precept for 2025-26 was agreed by Council at their meeting in January 2025 and 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 is 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 2025/2026 Precept demand and the budget produced to arrive at this Precept will be reviewed at the final audit.
- ii. It is understood that, due to staff difficulties the Council have not been provided with detail of the monthly receipts and payments listings generated by the Edge software. It is **recommended** that this be done on a monthly basis.
- iii. It is also understood that Council have not been provided with regular monthly budgetary performance reports. It is **recommended** that this be done on a monthly basis.
- iv. An analysis of general and earmarked reserves will be completed at the year end.

c) Conclusion

- i. It is **recommended** that Council be provided with monthly receipts and payments listings provided by the Edge software.
- ii. It is **recommended** that Council be provided with regular monthly budgetary performance reports
- iii.

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 available to the Council are the precept, cemetery, allotments, cemetery, rents, occasional VAT recovery and various miscellaneous receipts, grants and donations.
- ii. Allotment, Licence and Cemetery fees were agreed at the Council meeting held on 12th December 2024 (minutes 24/284 a. b & c refer)
- iii. A random sample of 20% of burials and internments were checked for the six months to 30th September 2024 with no major issues arising. It is noted that the Burial Register has not been kept up to date and, whilst it is appreciated that the Council have had staffing difficulties, they are reminded that this is a legal requirement. It is **recommended** that the Burial Register be brought up to date without delay.
- iv. The allotment year commences on 1st January and income from this source will be checked at the final audit.
- v. It is noted that there are several other sources of miscellaneous income and these will be reviewed at the final audit
- vi. It is noted that, in previous years, Council failed to account correctly for Output VAT relating to the car park which resulted in an amount due to HMRC, including interest and fines, of £88,466. This was paid in the year under review.

c) Conclusion

- i. It is **recommended** that the Burial Register be brought up to date without delay.

8 Petty Cash

a) Objective

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

b) Detail

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. Council has reviewed and approved pay scales for staff for 2024-25, and for the period under review. It is noted that Council do not use the NALC recommend salary rates but agree individual salaries with each respective employee.
- ii. The payroll is processed by an external payroll provider.
- iii. The payslips for all members of staff (with the exception of the outgoing Clerk) have been checked for the month of August 2024 ensuring that the correct gross salary has been paid and the appropriate deductions have been made in respect of PAYE, NI and pension contributions with no issues arising.
- iv. All required payments have been made to HMRC in respect of PAYE/NI deductions and to the Essex County Council Local Government Pension Scheme in respect of pension deductions.
- v. A further review of salaries paid to current staff will be carried out at the final audit.

c) Conclusion

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

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 using purchase cost uplifted or decreased to reflect the acquisition or disposal of any assets (where applicable) during the financial year.
- ii. The Council has a photographic record of many of its Assets and it is understood that these were taken at the time of installation of that Asset. It is **recommended** that a detailed photographic record be maintained of all Assets. It has been found that such a photographic record can be useful when making any claim against insurers.
- iii. An in depth review of the Asset Register will be conducted at the final visit.

c) Conclusion

- i. It is **recommended** that a detailed photographic record be kept of all Assets.

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. Council do not appear to have prepared and adopted an Investment Policy. It is a requirement that all Council holding funds in excess of £100,000 adopt an investment policy and it is **recommended** that this be done without delay.
- ii. As at 30th September 2024 the funds held by the Council totalled in excess of £690,000.
- iii. 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 consider what action can be taken in this regard.
- iv. Council holds no long-term investments.
- v. Council does not have any loans with external bodies repayable by or to it.

c) Conclusion

- i. It is **recommended** that Council adopt an Investment Policy
- 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 consider what action can be taken in this regard.

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

- i. 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.

16th February 2025