

Introduction

I have now completed my audit for 2014/2015 using a schedule of works agreed by other councils as the basis of my review.

I would again like to take this opportunity to express my appreciation to Miss. Simmons for her assistance and for the straight forward and helpful way with which she presented the Council's procedures and records.

Findings

A summary of my findings and details of the extent of my review can be found in Appendix A. The findings I would highlight are detailed below:

1. Financial Regulations were reviewed by the Council on the 9th December 2010. New model Financial Regulations were issued, by the NALC, in March 2014 following changes to the legislation.
2. A computerised spread-sheet system has been introduced to record financial transactions by the Council. The spread-sheet record has for the third year been used as the official cash book.
3. The cash book has been reconciled with the bank accounts and the VAT claims. During my audit I was able to check to my satisfaction each of these reconciliations. The system is also consistent with the information included in the Annual Return.
4. The documentation supporting the Councils approval of the 2015 Statement of Assurance generally and the risk assessment specifically was available at my audit. The risk assessment policy was approved at the February 2015 Council meeting.
5. It was possible to check the insurance cover in place for 2014/15 and cover now appears adequate.
6. I was able to check the P60 Employee's end of year PAYE certificate but not it's posting online to the Inland Revenue as I assume that these records are retained by the Payroll bureau.

Home Expenses of £25 per month (£300 per annum) are paid to the Clerk without any deduction of tax. HMRC allow employees to be paid £4 per week (£208 per annum) without having to show what has been spent, and more can be paid if there are records to back up the claim. I understand that for 2014/15 the HMRC have maintained their allowance to £4 per week.

If you have no supporting evidence for your reimbursements, the amount to put through your payroll is any excess above £4.00 per week.

If you have supporting evidence that shows the level of your employee's additional household expenses, then you only need to put through your payroll any amounts you reimburse that exceed these additional expenses.

7. The yearend bank reconciliations include a National Savings balance of £162.75 which as for 2012, 2013 and 2014, I have not been able to verify. I note that per the March 2013 Council minutes an online search for PPC National Savings Account was submitted on the 10th March 2013 at my-lostaccount.org.uk to progress this matter but I understand this has not resulted in any response.
8. In May 2014, a new "Practitioners Guide" regarding Governance and Accountability for Local Councils was published with changes to the external audit requirements, including those relating to Asset Registers.

The most significant NEW requirement is shown at 3.74 which states that:

"Most assets will be first recorded in the asset register at their actual purchase cost. In some cases the purchase cost may not be known and a proxy cost should be substituted. A proxy cost is a value for the asset which is estimated by the council based on external advice. Councils may apply the insurance value of the asset at the time of first recording as a proxy. Whether actual or proxy cost is used, for accounting purposes the first recorded value of the asset will not change throughout its life."

Some council's that have been basing their asset values on insured value have been criticised for not complying with the new guidance. The external auditor has qualified the certificate on their 2014 Annual Return.

At the date of my audit the Council's Asset Register had been updated consistent with the June 2014 insurance value and including the new bus shelter valued at £7,500. The assets value has for the purposes of the 2015 Annual Return been frozen at the June 2013 insurance value but adding the value of the new bus shelter.

Recommendations

With reference to the above findings I recommend that the Council :-

1. Review its system of internal control, and Financial Regulations to ensure they are updated if necessary following the publication of the new model Financial

Regulations in March 2014. (I understand this matter is to be considered at the May 2015 Council Meeting)

2. Review the tax position with regard the payment of Home Expenses to Clerk to ensure the Council is not liable for any under paid tax
3. Obtain appropriate supporting records for the National Savings balance of £162.75 included in the “total cash and short term investments” as at the 31st March 2015 on this year’s Annual Return.
4. Progress their processes for the annual risk assessment, asset register and insurance cover having due regard to the new “Practitioners Guide”.

Opinion

During 2014/15 the Council’s financial administration continued to improve and was well managed by Miss Simmons.

The Council should still scrutinise the Annual Accounts, Supporting Statement and Annual Return before approval.

M G. Howard C.P.F.A.
24th April 2015