

**INTERNAL AUDITOR'S REPORT TO  
WEST WITTERING PARISH COUNCIL  
DECEMBER 2009**

**INTRODUCTION**

This report covers the completed audits carried out for the financial years 2007-08 and 2008-09, and the ongoing work for 2009-10. It recognises the changes and improvements to systems and procedures that have been effected in recent years. The audits have carried out a thorough review of all accounting transactions and sampled other activities of the Council based on my assessment of risk. On a day-to-day basis, the management of the Council's finances is one of the duties of the Clerk, in her capacity as Responsible Finance Officer (RFO), supported by all members of the Council. The Council remains responsible for the assessment and management of risk and the provision of good governance.

The financial statements, governance arrangements and controls are reviewed annually by the Council's external auditors, Mazars LLP. The audit for the year 2008-09 has been completed and it is pleasing to note that the report issued by the auditor was "clean" and contained no qualifications or recommendations.

**REVIEWS UNDERTAKEN**

**1. Bookkeeping**

Detailed examinations of transactions have taken place to ensure that the financial records are up-to-date, the arithmetic is correct and that the accounts balance. This was found to be satisfactory. The accounting system has been replaced by one that is simpler to use, and which produces year-end results more easily.

**2. Section 137 payments**

Section 137 of the Local Government Act 1972 (as amended) enables the Council to spend up to the product of £5.86 per head (2008-09 rate) on the electoral register for the benefit of people in its area on activities and projects not specifically authorised by other powers. Generally, this will be grants and donations made to support the work of local organisations. The minutes of the Council meeting, held in December 2008, at which these grants were agreed, did not record with sufficient detail the decisions taken. The Council should ensure that, when this power is used, the minutes record that the payment is being made under Section 137 powers.

**3. VAT**

The Council is able to recover all VAT paid provided there are correct supporting invoices showing the VAT due. The RFO should ensure that all invoices are correctly addressed to the Council, and not to individual councillors, and that a valid VAT invoice is provided by suppliers.

From my review I am pleased that all VAT has been correctly recovered, and the RFO has ensured that, when considerable sums of VAT are due for repayment to the Council, claims have been submitted to HM Revenue & Customs promptly.

**4. Financial Regulations**

The Council adopted financial regulations in 2006. They are still appropriate for the needs of the Council. Improvements to financial procedures have been effected during recent years and, in my opinion, the Council is generally compliant with the regulations. The procedures relating to budgetary monitoring are much improved and the correct authorisation of payments is made at Council meetings. There is still a need to ensure that all orders for goods and services are placed by the RFO.

#### 5. Payments

As a check that all payments are correct, the two councillors who sign cheques should also initial the cheque book stub and the supporting invoice to indicate that the amounts and payees shown are correct and in accordance with the schedule of payments produced by the RFO. This had not always been the case and councillors should ensure they perform this task. Some payments are made by standing order or by direct charge to the Council's bank account. These should also be reported by the RFO in the monthly schedule of payments, and should be reviewed by the Council at least every three years to verify that the goods and/or service are still required.

#### 6. Receipts

The procedures for the receipt of money due to the Council have been reviewed and found to be satisfactory.

#### 7. Petty Cash

The records of petty cash transactions have been sampled and found to be satisfactory.

#### 8. Banking

Regular bank reconciliations are completed and the balances are reported to the Council at each meeting. The RFO keeps the accounts under review to try to ensure that all available cash is invested effectively. Recent comparisons have been made of the services available from other banking providers, and any alternative accounts available from the Council's bankers. Whilst interest rates remain at historically low levels there is probably no value in the Council taking any further action.

#### 9. Budget

The budgetary procedures appear effective and the annual precept correctly assessed. As part of the budgetary process, the Council should ensure that its level of reserves is assessed for reasonableness. Monitoring of financial performance against the budget is now fully effective.

#### 10. Payroll

The Council has carried out regular reviews of the salary of the Clerk and payments have been made in accordance with Council approvals. However, the National Agreement on Salaries and Conditions of Service of Local Council Clerks 2004, which was recommended by the National Association of Local Councils for adoption by councils from 2005, has not been fully considered by the Parish Council. The Council is currently reviewing the Clerk's salary and other conditions of service, including holidays, pension arrangements and sick pay, in line with the recommendations contained in the Agreement. Adoption of the recommendations would be complying with best practice in the sector.

## 11. Risk management

The Council should ensure that any unusual activities are fully minuted, and annual risk assessments carried out. Insurance cover is considered to be appropriate, but should be reviewed annually. Frequent, at least fortnightly, inspections of Council property, including buildings, machinery and play equipment, should be carried out and the findings documented and retained.

## 12. Asset control

The asset register has been reviewed and found to be complete. An earlier recommendation from the external auditor, that community owned land, including the allotments, should be given a nominal value of £1 and included as such in the asset register and annual financial statements has been implemented.

## 13. Year-end procedures

The year-end procedures have been reviewed and found to be correct, which is supported by the external auditor's review. The Council produces financial statements on an income and expenditure basis, which is in excess of the requirements of the Accounts and Audit Regulations 2003 (as amended) which require no more than a simple receipts and payments analysis. I would recommend that the Council continues its current practice.

Prior to 2008-09 the statements were not produced, and approved by the Council, in a timely manner. Significant improvements have been made in the last year and the Parish Council is now fully compliant. The 2008-09 statements were approved by the Council well before the statutory date of 30 June 2009.

## SUMMARY OF RECOMMENDATIONS

1. The Council should ensure that, when the Section 137 power is used, the minutes record that the payment is being made under that Section.
2. The RFO should continue to ensure that all orders are placed by her and that all invoices are correctly addressed to the Council and not to individual councillors, and that a valid VAT invoice is provided by suppliers.
3. The two councillors who sign cheques should also initial the cheque book stub and the supporting invoice to indicate that the amounts and payees shown are correct and in accordance with the schedule of payments produced by the RFO.
4. Payments made by standing order or by direct charge to the Council's bank account, should be reported by the RFO in the schedule of payments, and should be reviewed by the Council at least every three years to verify that the goods and/or service are still required.
5. The Council should complete the review of the salary and conditions of service, including holidays, pension arrangements and sick pay, of the Clerk, in line with the recommendations contained in the National Agreement on Salaries and Conditions of Service of Local Council Clerks 2004.
6. The Council should continue to ensure that any unusual activities are fully minuted, and annual risk assessments carried out.

7. The Council should consider arranging for frequent inspections of Council property, including buildings, machinery and play equipment.

8. The Council should ensure that the recent improvement in the production of annual financial statements is maintained, and that it complies with the Accounts and Audit Regulations for the current year, ending 31 March 2010, by approving its financial statements for this year by no later than 30 June 2010.

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30 December 2009