

**INTERNAL AUDITOR'S REPORT TO  
WEST WITTERING PARISH COUNCIL  
JANUARY 2013**

**INTRODUCTION**

This report covers the completed audit carried out for the financial year 2011-12 and the ongoing work for 2012-13. The audit work has included a thorough review of all accounting transactions and sampling of 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. Each year the auditors select a sample of councils with income below £200,000 and examine those councils' accounts and supporting documents in detail. They also review risk assessment procedures and insurance cover. West Wittering Parish Council was selected to have a more detailed audit for 2011-12. This has been completed and it is pleasing to note that, although a technical comment was made on the valuation of fixed assets, the report issued by the auditor was "clean" and contained no qualifications.

Similarly this report contains few recommendations. This is a consequence of the Council and Clerk having satisfactorily addressed virtually all the issues raised in previous reports. Since my last report there have been a number of new councillors co-opted onto the Council. For the benefit of these members, and as a reminder of good practice, many of my comments are items that have been repeated from last year's report.

**REVIEWS UNDERTAKEN**

**1. Bookkeeping**

Detailed examinations of transactions have taken place to ensure financial records are up-to-date, the arithmetic is correct and that the accounts balance. In my opinion, appropriate books of account have been properly kept throughout the period covered by this report.

**2. Financial Regulations**

The Council adopted financial regulations in 2006. They are still appropriate for the needs of the Council. The regulations have been met, payments were supported by invoices, expenditure was approved by the Council and VAT appropriately accounted for. The Council is reminded it should ensure that, unless an individual councillor has been authorised by the Council to place a specific order, all orders for goods and services are placed by the RFO.

### 3. VAT

The Council is able to recover all VAT paid provided there are correct supporting invoices showing the VAT due. The Council is reminded that all invoices from suppliers of goods and services should be addressed to the Council, and not to individual councillors, and that a valid VAT invoice is provided by suppliers.

### 4. Payments

Some payments are made by standing order or by direct debit to the Council's bank account. In addition to the payments to be made by cheque, these should also be reported to the Council by the RFO in the monthly schedule of payments. Although the majority of these payments are now reported, there appears to be some exceptions, particularly the half-yearly loan repayments to the PWLB.

### 5. Receipts

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

### 6. Petty Cash

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

### 7. Banking

Monthly bank reconciliations are completed and the balances are reported to the Council at each meeting. Whilst interest rates remain at historically low levels there is little to be gained by an excessive number of transfers between the Community Account and the Active Saver Account. Nevertheless, a small financial benefit could be obtained by transferring temporarily surplus funds to the Active Saver Account.

### 8. Budget

The budgetary procedures are effective and the annual precept correctly assessed. As part of the budgetary process, the Council should ensure its level of reserves is assessed for reasonableness. The Council has considered the potential consequences of the Localism Act 2011 in so far as they relate to the requirement for local referendums if Council Tax increases are deemed to be excessive. To date, these provisions in the Act do not apply to parish councils, but they could do in the future. In determining the precept requirement for 2013-14 the Council correctly assessed the risks associated with national changes to the Council Tax Support Scheme and the actions taken by Chichester District Council to ensure parish councils were not to be disadvantaged in that financial year. Ensuring the Council has sufficient reserves to meet unplanned expenditure would help to reduce the risk of needing to impose significant increases to the precept. Monitoring of financial performance against the budget remains fully effective.

### 9. Payroll

The Clerk's salary and allowances were paid in accordance with Council approvals, and PAYE and NI requirements were properly applied.

## 10. Risk management

The Council should continue to assess any significant risks and review the adequacy of arrangements to manage these. Frequent, at least fortnightly, inspections of Council property, including buildings, machinery and play equipment, should be carried out and the findings documented and retained.

## 11. Asset control

The asset register has been reviewed and found to be complete.

## 12. 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 the Council continues its current practice.

## SUMMARY OF RECOMMENDATIONS

1. The RFO should continue to ensure 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.
2. All payments made by standing order or by direct debit to the Council's bank account, should be reported to each meeting of the Council by the RFO in the schedule of payments.
3. The RFO should consider making more use of the Active Saver Account for the investment of temporarily surplus funds.
4. As part of the budgetary process, the Council should ensure its level of reserves is assessed for reasonableness.
5. The Council should continue to ensure that any unusual activities are fully minuted, and annual risk assessments carried out.
6. The Council should ensure that frequent inspections of Council property, including buildings, machinery and play equipment, are carried out and the findings documented.

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