

# BULMER PARISH COUNCIL – INTERNAL AUDIT REPORT FOR 2015-16

## Introduction

Thank you for appointing me as your Internal Auditor to work with your current Clerk, Diane Jacob. She and I have been working together on other Parish Councils' work for a few years and have developed an accounting system based on multi-page Excel spreadsheets within a single file. These spreadsheets have a number of built in checks that help to eliminate errors, which also help identify quickly any problems and do some of the hard work for us.

She and I have met at least four times (the last with the past and present Chairmen of the Council) this year and have lost count of the number of hours spent of this year's preparation of year-end financial reports. The reason for this is, unfortunately, that we were initially unable to understand some of the entries in last year's reports.

## Last year 2014-15

The total entries as recorded in the cash book do not entirely match the entries in the year-end reports. However, there is nothing else that would lead us to even suspect any wrong-doing.

## The year under review 2015-16

We are in the process of adopting the system developed for other Councils and you will be shown a summary Statement of Financial Activity based on a Receipts and Payments accounting system. In the past, I understand that Council has only seen a Management Report as part of its budgetary system, without a full reconciliation to the Council's cash position. We hope that you will find this a useful additional tool. However, it does raise some minor issues about what exactly you feel you need to know and how Council's expenditure might best be analysed and reported.

Your Clerk and I have had a constructive discussion with your Chairman about Coe's Meadow and we shall be identifying all transactions affecting the Meadow in future financial statements. We understand that a debate will, in due course, be held as to how best the Laurence Coe Recreational Trust should be managed.

Meanwhile, you will be aware that your Clerk has been gently introducing a slightly more rigorous financial climate in the way expenditure is authorised. This will provide not only a better audit trail, but also help to ensure everyone's "back" is prudently covered against unnecessary criticism.

*Book-keeping:* you are aware that Mrs Jacob took over half-way through the year under review and this always gives rise to some practical difficulties as different clerks have different ways of operating. Nonetheless, I can report that all financial transactions appear to have been properly authorised and correctly entered in the cash book. Bank reconciliations have been successfully carried out for both the beginning and end of the year under review.

I note with satisfaction that there is a specialist external provider of payroll services and that a staff pension scheme has been set up. I have not however, this year, examined these arrangements in detail.

*Budgetary Controls:* Your system is a little different from that encountered elsewhere and we will be examining this further with you in the months ahead to ensure your

requirements are fully understood and the system geared-up to meet these. As part of your general income is derived from allotment rents, I shall need to understand how these are managed and what system is in place to undertake proper reviews in timely fashion. This is to ensure that Council is receiving a proper level of rental income from its agricultural asset.

*Asset Management:* this brings me to management of your cash reserves. The normally accepted level of cash reserves for a Parish Council of this size is approximately twice the value of the annual precept. That would suggest a reserve not exceeding, say, £15,000. That compares with your reserves of around £80,000, which are only earning 0.5% pa. I suggest there is potential (political) benefit from having a clearly stated Reserves Policy.

I note that Council clearly has some objective in mind because it has over the two years' figures I have seen been running down that Reserve by £10,000 pa. Also, for some years council has operated a freeze on the Precept requested. All of which is entirely sensible. However, to make best use of this cash asset, in accordance with your responsibilities as trustees, you could well find a way of investing part of it in such a way as generates a more useful income. There are Investment Fund Managers who specialise in work for Parish Councils and enquiries will be made hopefully to find a suitable investment for Council. This will need to take into account the possibility of Council having one or more projects to provide a permanent community facility to benefit all residents. These are matters Council may care to consider during the year with a view to creating a clear statement of its Reserves Policy for inclusion in next year's financial statements.


*Future Liabilities:* you will note that at the end of the Financial Statements a liability that is immediately obvious (outstanding staff pension contribution) is shown as well as the benefit to come of the VAT refund. We have therefore the facility to show any future potential liabilities that may arise for which use of the Reserves may be required.

*Risk management:* I have not been able this year to examine closely the insurance policy, but note there is one and a full schedule of assets covered. I believe Council does have a number of "risk assessment" style policies, including a Freedom of Information Scheme. When reviewing your Committee structure, Council may like to consider a Personnel Committee.

My duties as Internal Auditor relate not only to the Finances but also to all Council systems that affect its Governance and, by rights, I should be examining all these every year – without making mountains out of molehills, I hasten to add!

#### Conclusion

You are in good hands with your new Clerk. She and I stand ready to assist your work as required.



John Reddington  
Coggeshall

11<sup>th</sup> May 2016