

## **Introduction**

I have now completed my audit for 2016/2017 using the agreed schedule of works as the basis of my review. I discussed the agreed schedule of works with the Clerk and no changes were requested.

I would again like to take this opportunity to express my appreciation to Mrs. Killby 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. I understand the Council's Standing Orders were reviewed during 2016/17. The updated Standing Orders take account of changes made by the NALC in their latest model which was published in September 2013.
2. I understand that during 2016/17 the Council reviewed it's Financial Regulations.
3. During 2015 new Accounts and Audit Regulations were passed which include details of the new audit framework set out in the Local Audit and Accountability Act 2014.

Under the new audit framework parish councils with an annual turnover not exceeding £25,000 will be exempt from routine external audit. In place of the audit these smaller authorities will be subject to transparency requirements laid out in the "Transparency Code". This will enable electors to access relevant information about the authorities accounts.

As in previous years further issues for all authorities to consider are outlined in PKF Littlejohn's letter accompanying the 2017 Annual Return. This included compliance with the new Governance and Accountability for Smaller Authorities in England A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements March 2017 I quote below guidance from the guide relating to council governance:

" Authorities are subject to a range of regulations, which can change more frequently than primary legislation. It is important, therefore, to be aware of new regulations that are issued as well as keeping up to date with the latest versions of existing ones. NALC, and SLCC provide updates and training on developments in this area."

As part of its annual governance review to prepare its annual governance statement (see Section 1 of the Guide), an authority needs to scrutinise the actions it has taken during the year, and the decisions that it has made, and satisfy itself

that it has acted properly within its powers and in accordance with any relevant Regulations.”

4. In 2016/17 the Council’s cash book is kept on spread sheets which after minor adjustments made during my audit agreed with the bank records, payments and spreadsheet reports and year end accounts and the Annual Return submitted by the Council.
5. The Council’s Annual Risk Assessment is now formally documented and was reviewed by the Council at its meeting in April 2017. It was noted that the Fidelity Guarantee cover appears to be £500,000.
6. On the 29 June 2016 a contract of employment was signed for the new Clerk. During 2016/17 she was paid £9.30 an hour which is the hourly rate consistent with SCP18 and which also agrees with the new contract of employment.

In the past I have noted that arrangements were made by which the excess office allowance over the £208, permitted by HMRC, was taxed and the HMRC reimbursed appropriately.

The new contract of employment states at para 8.2:

“.... In addition, a reasonable home allowance will be paid for the use of space or utilities in your home at an agreed sum of £43.58 net per calendar month. The Council will also pay the Clerk an amount equivalent to the tax (PAYE) payable by the Clerk on the aforementioned home allowance so that effectively the home allowance of £43.58 is received net of tax.....”

During 2016/17 each month £50 home allowance has been paid to the Clerk £32.00 was taxed and £18 not taxed. This is now consistent with her contract of employment.

The law on workplace pensions has changed which applies to the Council. The Pensions Regulator acknowledged on the 4<sup>th</sup> January 2017 that it has received Terling’s declaration of compliance.

7. In March 2017, a new “Practitioners Guide” regarding Governance and Accountability for Local Councils was published with slight changes to the external audit requirements, including those relating to Asset Registers.

Detailed below is an extract:

“Proper practices in Section 2 of the Guide state that the value of assets at Line 9 of the Annual Return is taken from the authority’s asset register which is up to date at 31 March 2017 and includes all capital acquisition and disposal transactions recorded in the cash-book during the year. A particular method of asset valuation is not specified in proper practices so authorities may use any

reasonable approach to be applied consistently from year to year. The method of asset valuation adopted should be set out in a policy approved by the authority and recorded in the authority's minutes and in the asset register.

For authorities covered by this Guide, an appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that in most circumstances once recorded in the asset register, the recorded value of the asset will not change from year to year, unless the asset is materially enhanced.

Commercial concepts of depreciation, impairment adjustments, and revaluation are not required or appropriate for this method of asset valuation. For reporting purposes therefore, the original value of fixed assets will usually stay constant throughout their life until disposal.

If for some reason the authority decides that the basis of valuation should be changed, the change must be applied consistently to all relevant classes of fixed assets. In such an event, the value shown in Line 9 for the previous year should also be changed to the new basis and clearly marked as 'RESTATED'. Non-cash movements such as revaluation or depreciation must not be included in lines 3 or 6 of the Annual Return. The authority should provide a justification and explanation for the change in the basis of reporting, which should be recorded in the minutes of the authority."

Most assets will be first recorded in the asset register at their actual purchase cost unless the asset is materially enhanced. In these circumstances I have agreed with the Clerk that the £22,500 spent during the year on the refurbishment be added to the value of the Pavilion in the Asset Register and included in the total value of assets on line 9 of the Annual Return.

For 2017 the asset value proposed for the Annual Return is consistent with the external auditor's requirements.

## **Recommendations**

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

1. Ensure that when it completes its annual governance statement in 2018 it ensures that it has complied with the new audit requirements including the new Practitioners Guide and that this is clear in its Minutes.
2. Review its accounting and bank reconciliation arrangements to ensure inconsistencies with the bank are identified and rectified earlier.

3. Support the new Responsible Financial Officer if she needs to review the budgeting procedures for 2017/18 and 2018/19.
4. Review during 2017/18 it's annual risk assessment, asset register and insurance cover given due consideration to the new "Practitioners Guide".
5. Keep under review the arrangements required to implement the new legal duties regarding work place pensions.

Opinion

After extensive checking of the Council's records and accounts I have found the systems to be sound. The accounting in 2016/17 has improved when compared with that of 2015/16.

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M G. Howard F.C.P.F.A.  
31<sup>st</sup> August 2017