

**MEETING OF THE FINANCE & ADMINISTRATION COMMITTEE
TO BE HELD ON THURSDAY 5th JUNE 2014
AT 7.30pm**

COMMITTEE REPORT

3. INTERNAL CONTROLS WORKING GROUP

Standing Order 15.9.6 provides that this Working Group shall consist of three members of the Committee. Current members are Councillors Butler, Torn and Mrs S. Wilton.

RECOMMENDATION

That three members of the Committee are appointed to the Internal Controls Working Group

4. PUBLIC FORUM

Members of the public are invited to put questions or draw relevant matters to the Council's attention, prior to the commencement of business. This is for a period of up to 15 minutes and shall be limited to 3 minutes per person.

7. CHAIRMAN'S ANNOUNCEMENTS – for information and noting only

(a) Letters of thanks for grants

Members are asked to note that a letter of thanks has been received from Age UK Horsham in relation to the grant made to the organisation in February 2014, of £5,500 to support the Information and Advice Service.

RECOMMENDATION

Members are asked to note the Chairman's Announcement

8. DECLARATIONS OF INTEREST

Members are advised to consider the agenda for the meeting and determine in advance if they may have a Personal, Prejudicial or a Disclosable Pecuniary Interest in any of the agenda items. If a Member decides they do have a declarable interest, they are reminded that the interest and the nature of the interest must be declared at the commencement of the consideration of the agenda item; or when the interest becomes apparent to them. Details of the interest will be minuted.

Where you have a Prejudicial Interest (which is not a Disclosable Pecuniary Interest), Members are reminded that they must now withdraw from the meeting chamber after making representations or asking questions.

If the interest is a Disclosable Pecuniary Interest, Members are reminded that they must take no part in the discussions of the item at all; or participate in any voting; and must withdraw from the meeting chamber; unless they have received a dispensation.

9. ACCOUNTS AT 31.3.2014

(a) Committee and Council Budget Monitoring – to 31.3.2014

Members will be given at or prior to the meeting the Council's internal spreadsheets showing the final Budget position at 31.3.2014, following the closing of the 2013/2014 financial year

RECOMMENDATION

Members are asked to note the Budget Monitoring information

(b) VAT position at 31.3.2014

Members will recall that the percentages applicable to the amounts of VAT that cannot be reclaimed are as follows, subject to the £7,500 *de minimis* limit -

Roffey Millennium Hall – all VAT can be reclaimed

Holbrook Tythe Barn – 70% of VAT cannot be reclaimed

Multi Courts – 85% of VAT cannot be reclaimed

North Heath Hall – 100% of VAT cannot be reclaimed

Administration expenditure – 37% of VAT cannot be reclaimed

Other expenditure – all VAT can be reclaimed

Members are advised that at 31st March 2014 the Council is £2,367.09 below the *de minimis* limit. Members are reminded that this figure is from the Clerk's own spreadsheet, which has been accepted by HMRC, and does not match entirely the VAT figures produced by the accounts system.

RECOMMENDATION

Members are asked to note this section of the Report

(c) Revised Budget Estimate – Personnel Committee

Members will note from (a) above that the Salaries Budget Head is overspent by £22,255 at 31.3.2014; with a Budget of £222,000.

The overall Committee budget is overspent by £19,451).

There are a number of reasons for this – (a) payment of one month's overtime to cover for extended annual leave at Holbrook Tythe Barn (£394); (b) certified sick leave from May to leaving date of 11.10.2013 (paid two months full pay and two months half pay, plus accrued annual leave whilst sick, of 67.5 hours) and subsequent cover (£1,785); (c) increase in Litter Warden's hours from 22 to 30 hours per week from 22.7.2013; (d) staff member employed at enhanced rate of pay and hours between July 2013 and March 2014; (e) extended overtime at Holbrook The Barn following staffing issues (£619); (f) increase in hours at Holbrook Tythe Barn from 12 to 16 per four days on/four days off; (g) two salary scale point increases for three members of staff; and (h) 1% payrise across the board.

The Salaries budget figure for the current financial year (2014/2015) is £233,250. Members are advised that following discussion with the current Committee Chairman, the Personnel Committee budget needs to be revised by adding £12,000 from General Reserves.

RECOMMENDATION

Members' views are sought

(d) Final Accounts for the year ended 31.3.2014

Members will be given at or prior to the meeting the following papers in support of the year end accounts for 2013/2014 –

(i) Annual Return papers –

- (a) Copy of Parts 1, 2 and 4 of the Annual Return
- (b) Explanation of significant variances
- (c) Reconciliation between boxes 7 and 8 of the Annual Return

The deadlines of 30th June (approval of the accounts by Council – Council next meets on 26th June 2014); and 7th July (an amended date for the lodging of all required papers with the external auditor) will, therefore, be able to be met.

- (ii) **Papers from the accounts –**
- (a) Bank Reconciliation at 31.3.2013
 - (b) Reserves Reconciliation
 - (c) Cash and Investment Reconciliation
 - (d) Income and Expenditure Account
 - (e) Balance Sheet

RECOMMENDATION

That a Recommendation be made to Council on 26th June 2014 to approve the year end accounts and that Sections 1 and 2 of the Annual Return be signed by the Chairman of Council

10. REPORT OF THE INTERNAL AUDITOR

Members are advised that Mark Mulberry, the internal auditor visited for the final audit of 2013/2014 on 19th May 2014. His Report is as follows -

I am writing to finalise matters in respect of the internal audit for the year ended 31st March 2014. My audit was conducted in accordance with current practices and guidelines and testing was conducted in line with the inherent risks assessment. Whilst I have not tested all transactions, my sample has where appropriate has covered the entire year to date.

I visited the Council on Thursday 5th December to conduct an interim Internal Audit and Monday 19th May to conduct the final audit. Amongst others the following areas were covered in my testing:-

- Review of the Financial Regulations & Standing orders
- Review of the Risk Assessments
- Review of the Budgeting process
- Proper Bookkeeping – review of the bank reconciliation at the year end
- Review of the Fixed Assets Registers
- Review of payments and receipts
- Review of the Payroll calculations and Year End procedures
- Review of the Accounts
- Review of the annual return

Attached to this e-mail is a full copy of the audit pack for your records, it will be necessary for you to discuss with your council how the audit was conducted and the findings of my report so that the effectiveness can be reported on. The comments below are in the order of the headings in Section 4 of the Annual Return, followed by any additional items specified in the Council's Audit plan as attached. Recommendations are shown in bold, and any responses received from Council will be added in italics.

A. BOOKS OF ACCOUNT

The RBS system was tested to verify the brought forward balances and to review the entries made to the cashbooks. Entries were posted in a clear and logical manner and the brought forward balances were correct. I make no recommendation to change this system

B. FINANCIAL REGULATIONS

The Financial Regulations and Standing Orders were up to date and will be reviewed again in the new year. These documents are current and I make no recommendation to change at this time.

I selected at random items to test from the financial regulations, I tested 5.2; and can confirm that a schedule of payments is prepared for council approval, this system is working correctly. I also tested 6.2- 6.3; I reviewed an invoice drawn at random and was able to verify this to the cashbook and the nominal ledger and follow this through to the cheque stubs which are initialled twice. I confirm Invoices are signed off and annotated per Fr's and VAT is properly accounted for by the RBS system.

Payment procedures, including invoice authorisation, purchase order matching and cheque signing are satisfactory; and in accordance with financial regulations, this is a robust system that allows for the monitoring of expenditure through all stages and for advanced cashflow planning and I make no recommendation to change.

I tested the petty cash and this was correct as at 5th December 2013, I also tested the wages system and found this to be robust and free from error.

C. RISK MANAGEMENT & INSURANCE

A Regular review of risks is carried out and I am satisfied that all appropriate risks are accounted for and documented properly. I was pleased to see the council has a good system of risk assessment and documentation.

D. BUDGET & PRECEPT

The budget is drawn up in the correct and proper manner and regular reviews of income and expenditure against budget are carried out and reported to committee. The budgets are drawn up, monitored and managed in accordance with financial regulations and I make no recommendation to change this process.

E. INCOME

I tested the various streams of income namely, precept, grant VAT and miscellaneous income. I am able to confirm that income was properly

recorded in the Omega cash book and agreed to the bank statements and where applicable third party confirmation.

F. PETTY CASH

Confirmed £300 float and receipts at December visit

G. PAYROLL

I was able to reconcile the wages per the payroll records to the annual return. I also tested the tax deduction and can confirm this is properly calculated.

H. ASSETS AND INVESTMENTS

Assets were properly shown at book and proxy value on the annual return.

I. BANK RECONCILIATIONS

Reconciliation for current bank account is carried out regularly. The March 2014 reconciliation and cashbook was verified in detail to ensure correct transfer of opening balances. There are no reconciling errors.

J. YEAR END ACCOUNTS

I reviewed the annual accounts and agreed with the RFO the information will need to be prepared before submission to the external auditors

K. TRUSTEESHIP

N/A

Members are asked to note that the Audit Pack referred to will be made available at the meeting, should any Member wish to look at it.

RECOMMENDATION

Members' views are sought

11. BANK RECONCILIATION at 30.4.2014

The Bank Reconciliation at 30.4.2014 is the most recent that is available from the accounts system. Members are reminded that Bank Reconciliations should 'be signed periodically at the meetings of the Finance and Administration Committee'.

The Bank Reconciliation will be available at the meeting

RECOMMENDATION

That the Bank Reconciliation is signed by the Committee Chairman

12. ASSET REGISTER

Members are asked to note that the Council's Asset Register was brought to Committee in 2011. The Register comprises the required information and is laid out in the same way as the Council's insurance schedules.

Since 2011 (a) the requirements for completing Box 9 (fixed assets) on the Annual Return have changed; (b) advice has been given by the internal auditor on how to achieve this, guidance on 'proxy values and the treatment of acquisitions and disposals; and (c) a large box file found containing various very old 'asset registers' giving details of purchase values, previously unknown.

Members are advised that based on the above, it is thought that the Council is now in the position of having a definitive Asset Register, which will now only need updating with regard to (a) acquisitions as they occur; (b) disposals as they occur; (c) updated replacement values, every three to five years; and (d) updated insurance values on an annual basis.

Members are asked to note that due to the length of this document, copies will be given at or prior to the Committee meeting.

RECOMMENDATION

Members' views are sought as to –

- (a) any obvious changes that may need to be made**
- (b) the timing for updating replacement values**
- (c) any changes to be made to the Council's existing insurance arrangements**
- (d) publication of the document**
- (e) any formal approval by Council**

13. FINANCIAL RISK ASSESSMENT

Members are advised that the external auditors require that a Financial Risk Assessment for the financial year 2013/2014 to be produced with the Annual Return and other papers. This document was formulated in April 2010 and has been updated and now requires approval by Council.

Members are again asked to note that due to the length of this document, copies will be given at or prior to the meeting; and for all other Members for the 26th June Council meeting.

RECOMMENDATION

- (a) That Members consider the updated Financial Risk Assessment**

- (b) **Formulate a Recommendation to Council to approve the Financial Risk Assessment at the next meeting of Council on 26th June 2014**

14. FINANCIAL REGULATIONS

Members are advised that new model Financial Regulations have been formulated by the National Association of Local Councils (NALC). The new Regulations have been looked at by the Internal Controls Working Group and the resultant draft is a mix of the Council's existing Financial Regulations and the new model.

Members are again asked to note that due to the length of this document, copies will be given at or prior to the meeting; and for all other Members for the 26th June Council meeting.

RECOMMENDATION

- (a) **To approve the draft Financial Regulations**
 (b) **Formulate a Recommendation to Council to approve the Financial Regulations at the next meeting of Council on 26th June 2014**

15. GRANT APPLICATIONS

The Council's Budget provision for grants for the current financial year is £15,000 and £3,000 for S.137 expenditure, all of which is available.

Members will be given copies of the Assessment Reports in respect of each application at or prior to the meeting.

APPLICANT	GRANT SOUGHT	RECOMMENDATION
Horsham Parkrun (Horsham Joggers)	£2,500	0
Jack & Jill Pre-School	£1217.84	£608.92
	TOTAL	£608.92

RECOMMENDATION

That the level of grants to be made is determined

16. DATE OF NEXT MEETING
Thursday 24th July 2014

Sue Kemp – Parish Clerk
 23rd May 2014