



**This page is part of Section 3 - External auditor certificate and opinion
2014/15
Edwinstowe Parish Council**

Audit Report for the year ended 31 March 2015

Matters reported

Authorisation of Expenditure: approval arrangements and Council Financial Regulations

The Council's employees are paid by automatic bank transfer. The instruction to pay is checked against contracts of employment by the Finance Officer, signed by two councillors and sent to the bank. The Council's Financial Regulation 5.2 requires a schedule of payments to be prepared and submitted to the Council for approval before payment is made. The bank transfer instructions for salary payments have not appeared on the schedule of payments for authorisation by the Council. Financial Regulation 7.2 states that council employees shall be paid according to their contracts of employment. The terms of these contracts stipulate that payment will be by automatic bank transfer. The Council has relied on Regulation 7.2, the Finance Officer's check, and the Councillors' signatures to support authorisation of these payments. However, there is nothing in Regulation 5.2 that provides for this alternative approval mechanism. In this respect the Council has not complied with its own Regulation 5.2.

The schedule of payments for Council approval at the meeting held on 4 September 2014 contains two items that are included in the cash book in August 2014 (one for £989 and one for £1,395). The minutes of the meeting on 4 September 2014 state that the relevant cheques were approved and signed but are not explicit as to whether they were signed at the meeting after approval, or whether signed cheques were approved for release. In this respect it is not possible to determine whether the Council has complied fully with its own Regulation 5.2.

The Council has answered "Yes" to Assertion 2 in Section 2 of the Annual Report, thereby confirming that it has maintained an adequate system of internal control. However, in light of the circumstances outlined in the previous two paragraphs, we believe that the correct answer to Assertion 2 in Section 2 should be "No".

We recommend that:

- *The Council should review Financial Regulations 5.2 and 7.2 in the light of modern banking practice and update the Regulations to better reflect the Council's current business practices and needs.*
- *The Agenda and Minutes of Council Meetings should record precisely the nature and sequence of spending decisions and approvals.*

Authorisation of Expenditure: delegation of authority and approval

The Council has answered "Yes" to Assertion 2 in Section 2 of the Annual Return for 2014/15 thereby confirming that it has maintained an adequate system of internal control.

In May 2014 the Council made a payment to Edwinstowe Cricket Club of £8,750 which was noted in the cash book as "to be re-paid". The reimbursement was recorded in November 2014. Before making this payment it was discussed by members of the Finance Committee in an informal meeting. The Council made the payment under s137 of the Local Government Act 1972. Within the Council's Standing Orders and Financial Regulations, the Finance Committee has delegated power to approve expenditure up to £500 (under Financial Regulation 11.2), and delegated power to make grants of up to £1,000 (under Regulation 11.3) subject to these items being reported to the next full meeting of the Council. The NALC Legal Note LTN31 (paragraph 18) makes clear that use of s137 powers must be under a resolution of the Council. There is no record in the minutes of the transaction being reported to the full Council or of a resolution by the Council to use s137 for this purpose.

When making the payment to Edwinstowe Cricket Club, the Council has not complied with its own Financial Regulations or the requirements of s137. We therefore believe that the answer to Assertion 2 in Section 2 should be "No".

We recommend that:

- *the Council should review its arrangements for delegating spending decisions and ensure that they are adequate for the needs of the Council and include appropriate safeguards and reporting mechanisms.*

Other matters not affecting our opinion which we wish to draw to the attention of Edwinstowe Parish Council for the year ended 31 March 2015

Accounting for Fixed Assets

Box 9 of Section 1 of the Annual Return – the Accounting Statements - includes fixed assets valued at insurance value that have been subject to an inflationary uplift.

Local councils are required to account for fixed assets at purchase cost. If this is not known a proxy cost should be substituted (e.g. insurance value). Commercial concepts of depreciation or impairment adjustments etc. are not appropriate for local councils. For reporting purposes therefore, the 'book' value of fixed assets will usually stay constant until disposal. Where insurance value has been used as a proxy, it should not be adjusted for annual changes.

Guidance on accounting for fixed assets is available in the NALC/SLCC publication "Governance and Accountability for Local Councils – A Practitioners Guide" paragraphs 3.66 to 3.77.

Fixed Asset Register

The fixed asset register does not include any entry with respect to Jubilee Park.

Jubilee Park is not owned by the Parish Council but leased on a 99 year lease for a peppercorn rent of £1 per annum. The lease includes restrictive covenants such that the park can only be used as a community asset.

As set out in the 2014 edition of "Governance and Accountability for Local Councils; A Practitioners' Guide (England)" section 3.76, Community Assets should be included on the register at a nominal value of £1.

Misclassification of expenditure

During the course of our review, the Clerk identified a misclassification of expenditure.

£678 in respect of cleaning staff wages has been included in Box 6 of Section 1 of the Annual Return (all other payments) rather than more correctly in Box 4 (staff costs). The correct figures are as follows:

Box 4 - Staff Costs:	£94,250
Box 6 - All other payments:	£165,008

Internal Financial Controls

The Parish Council has not documented its internal controls.

It is good practice for the Parish Council to fully document and periodically review the specific day to day procedures it undertakes to implement its system of internal control. The Council should therefore document its internal control framework and ensure that all staff are aware of the framework and its operation.

Mark R Heap

For Grant Thornton UK LLP

Date *13 May 2016*

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