



JOHN K. MURRAY

TAXATION and ACCOUNTANCY SERVICES

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16 May 2022

Dear Melanie

**Sherborne St John Parish Council -
Accounts for the year ended 31 March 2022 "Internal Audit"**

I have now completed the "Internal Audit" of the Parish Council Accounts for the year ended 31 March 2022. I have conducted the Internal Audit following the guidelines as documented in the JPAG Book "Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide" issued in March 2021 and updated in March 2022

I need to draw the following matters to the attention of the Parish Council

Council Website: As you know the Council is not subject to the Transparency Code as its income/expenditure exceeds £25,000. However, it is considered "best practice" for all Councils to comply with the Code. The following items appear to be missing that the Code requires to be published. All Agendas (not just the current one) Regulatory Documents – such as Standing Orders, Financial Regulations etc. Outside the Code the following MUST be published on the Website – complete AGAR, Notice of Public Rights (2020/21 versions are NOT there) Accessibility Statement and Asset Register.

Minutes: The Clerk opened the Annual Meeting on 19 May 2021. This is wrong and contrary to law. The retiring Chairman is Chairman until his/her successor is elected. They MUST take (if they are present) the first item on the agenda – to elect a Chairman (they can do this even if they are no longer a Councillor). The Clerk NEVER takes the Chair.

I am also concerned that the Minutes of the 15 December 2021 and 26 January 2022 have large chunks crossed out and initialled. . Whilst it is acceptable to make small manual corrections to minutes at meetings (they must be initialled, and the facts recorded in the minutes of the meeting this happened) but It is unacceptable to make large amendments at the meeting. The suggested amendments ought to be put to the Clerk well before hand, circulated and if agreed, a fresh set of Minutes issued. This avoids problems in the future as it removes the contentious items in advance

Allotments. I have seen three spreadsheets for allotments – The main Allotments, Cranes Road, and Sunnyside. These, according to the schedules should generate about £1317.50 rental income. The schedules identify those who have paid, and this totals some £812.50 (there is a shortfall at 31 March). However, the Accounts only seem to identify some £3295.00 as having been received – I appreciate that some may have been received after the 31 March 2022 BUT none were identified as being received at the commencement of the financial year. I would recommend a serious investigation into what plots have been let, amounts due to the Council and what remains unpaid and to recover any outstanding sums – it does seem that there are a number of receipts in the "unknown" column of the spreadsheet that could well be allotment income – but this would form part of the investigation.

Chute Hirings There is quite a large amount of income generated by Chute hirings. The Council does not appear to be charging VAT on any income received. Whilst I appreciate that certain income is not subject to VAT – such as season lets to Clubs, one-off hirings can be subject to VAT. I do not have expertise in this area and would suggest that urgent advice is taken on this subject – otherwise the Council could fall foul of the VAT legislation and suffer financial penalties. Advice is available for the Hampshire Branch of SLCC and HALC.

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Payroll. It has been difficult to identify whether or not correct sums have been paid due to the lack of paperwork. The sums identified in the Accounts are the nett sums after the deduction of tax and national insurance, There is no paperwork to identify overtime claims but as the Council has "authorised" these payments through the minutes I have to assume they are accurate. I would suggest (as I believe you have already done) put in place a timesheet system so the Council knows what extra above the Contracted hours they are paying for. Without a proper procedure in place, you have an obligation to accept what has happened. However, regular claims for overtime need to be investigated – are the contracted hours not sufficient to cover the work required? Is the overtime being claimed to bolster the salary? There may be a number of reasons, but they need to be investigated. The Grounds Manager and Clerk appear to be claiming regular overtime.

I notice that the Clerk has, at the year end, claimed some £3000 for unclaimed "use of home as office" at the rate of £61 per month for the past four years. There is no mention of this in the Contract of Employment, so I have to question it. It also appears to have been paid as an expense and therefore not taxed. The HMRC guidelines lay down the rules for this – and what can be paid without tax. The amounts claimed are far above this tax-free limit and should, in my opinion have been taxed. The Council is the Employer and is responsible for ensuring all payments are dealt with according to the law. If payments are made that should be taxed and are not the Revenue are entitled to recover the unpaid tax from the Employer. As it appears there have been problems with the cheque relating to this payment, I would suggest the Council revisits this matter and takes advice of the Agency dealing with its payroll as this could have both tax and national insurance implications.

Annual Governance Statement. I believe you will have difficulty answering "yes" to questions 1, 2 and 3 because there appears to me to be no effective internal control mechanism with the Council. The Council seems to have relied solely on the say so of the Clerk and that there were no financial checks conducted by the Council. The fact that cheques up to the value of £1,000 only had to have the Clerk's signature on them is in complete disregard to the proper practices and legal requirement in that all cheques etc MUST have at least the signature of two Councillors. The problems of VAT registration and the payment of potentially taxable items (not taxed) are an indication of failures of question 3. Question 4 has to be "no" as there is nothing on the Website for Electors Rights nor is last years' AGAR on the website despite the fact that the Minutes say they were.

Question 7 can be answered "yes" but I wonder how much information was passed back to the Council. I understand that the signatures on cheques and VAT registration have been raised in the past with the Clerk.

Internal Audit Report Whilst I will answer "yes" to most of the questions I have the following comments to make

- A The records produced to me were, in the main, produced by Mrs Camilleri and not by the Clerk. These records do contain "unidentified" items as the prime documents were not available. Having said that I believe as good a job has been done given the time constraints.
- B Again, in the main this has been complied with BUT there were records missing and some items in the Minutes showed different amounts to those actually paid.
- E I have to assume all income was received but further investigations need to be made as suggested earlier in this letter.
- G I will have to answer "no" to this one – mainly because there was no control over overtime claims and the payment of £3,000 to the Clerk at the year end.
- L marked "no covered" as the Council is not covered by the Transparency Code
- M answer "no" – nothing on the Website
- N answer "no" – nothing on the Website

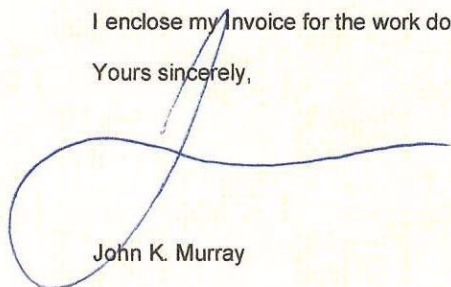
I have noted that the AGAR Pro-forma (with details of the Variations and Bank Reconciliation) have not yet been adopted by the Parish Council and signed by the Chairman and the Clerk. As the Council is subject to a Lighter Touch Audit it is very important that all the sections of the AGAR and supporting documentation (including Electors Inspection Rights) as placed on your Website. Please ensure that signatures are shown on the uploaded documents in accordance with legislation.

Will you also provide me with copies of the Bank Reconciliation and the Explanation of Variances (which need to be completed). Please ensure that the adoption of the Accounts and the AGAR Pro-forma are minuted at the appropriate times – Section 1 and Section 2 of the Pro-forma need to be specifically mentioned within the Minutes and this approval must be by **Full Council** and not by Committee. The receipt of this letter and any action taken on it should also be recorded within the Minutes.

If the Council wishes to discuss any of these points - or any other matter - now or in the future I would be more than happy so to do. Obviously, if the query can be cleared quickly by a 'phone call, then there would be no further charge. If, however, the matter requires some research on my part and/or would take time to resolve then I would have to charge and I would agree this with you beforehand so that there was no misunderstanding.

I enclose my Invoice for the work done so far.

Yours sincerely,



John K. Murray

Mrs M Camilleri
Sherborne St John Parish Council

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