

Section 1 – Annual Governance Statement 2021/22: Supporting explanations and Action Plan

SHERBORNE ST. JOHN PARISH COUNCIL Approved by full council 29 June 2022

No.	Y/N	Explanation IF 'NO'	Action Plan IF 'NO'
1	N	<p>The Clerk/RFO was not effectively accounting for (nor clearly reporting on) movement of monies on the Parish Council's bank account. This issue is exacerbated because the Parish Council receives regular sources of income from:-</p> <ul style="list-style-type: none"> • Pavilion hire (involving returnable security deposits) • Allotment rental <p>A large sum of unrestricted 'General Reserves' is held on the Parish Council's Treasurer's bank account earning no interest (£54,523).</p>	<ol style="list-style-type: none"> 1. The Locum Clerk/RFO has set-up an Excel spreadsheet (with formulas) for each financial year covering tabs for:- <ul style="list-style-type: none"> ○ Cashbook (payments showing budget allocation and recoverable VAT) ○ Receipts ○ Bank Reconciliation ○ Budget tracking (actual spend/forecast spend), and ○ Monthly Cashflow Reports (listing all transactions made in any one month with payments which require authorisation). 2. The Locum Clerk/RFO presents the Monthly Cashflow Report to the Councillors for approval at each Parish Council meeting. 3. Authorisation of payments will be made in accordance with the Financial Regulations and bank mandate (to be reviewed and updated – see Actions in 2. below). 4. Monthly Cashflow Report transactions will be reported in the Minutes (observing GDPR). 5. Mid-year budget reviews to take place. 6. Consider implementing accounting software. 7. The Parish Council to consider options on permitted investment vehicles for the unrestricted 'General Reserves' e.g. savings account. 8. Review The Chute Pavilion Hire Agreement and Process. 9. Review Allotment Rental Agreement and Process.
2	N	<p>The Clerk/RFO was found to be:-</p> <ul style="list-style-type: none"> • making payments from the Parish Council's bank account without having obtained the necessary approvals. These payments included unauthorised overtime paid to Employees (including herself) on a monthly basis. 	<ol style="list-style-type: none"> 1. Modify bank mandate to reflect min 2-signatures required for all cheques and an adequate approval process for online banking. 2. Review contracted hours/month for Employees against size of job. 3. Review Employee reporting lines and performance management accountability.

		<ul style="list-style-type: none"> On several occasions, the Clerk/RFO authorised Employee salaries (via Payroll) resulting in salaries being paid in advance (rather than arrears); sometimes as soon as one month. The Clerk/RFO was the sole authoriser of cheques up to the value of £1,000. Payroll did not correctly account for Tax and NI due on the Clerk/RFO's Homeworker expenses. 	<ol style="list-style-type: none"> Review Employee overtime authorisation process requiring prior approval before any work is carried out and prior authorisation before payment is made (via Payroll). Introduce automated process (via Payroll) for making payment of Employees' <u>basic</u> salary one month in arrears. Review Employee reimbursement process requiring prior authorisation before payment is made (via Payroll). Review how Payroll determine HMRC tax and NI liabilities on Homeworker expenses. Review and update the Financial Regulations.
3	N	The Parish Council's governing documents and processes do not fully comply with laws, regulations, and Proper Practices.	<ol style="list-style-type: none"> Having lost confidence in the Clerk/RFO, as from 01 May 2022 the Parish Council appointed a Locum Clerk/RFO to restore compliance with laws, regulations, and Proper Practices (and carry out the 2021/22 end of year accounts and AGAR preparation). The existing Clerk/RFO was suspended with full pay pending a formal investigation. Review and update the Financial Regulations. Review and update the Standing Orders.
4	Y	N/A	N/A
5	N	Essential Risk Assessments are not in place.	Produce Risk Assessments covering: <ul style="list-style-type: none"> Management Finance Liability Councillors' Propriety Council Reputation
6	N	The previous Internal Auditor did not pick-up on these weaknesses which also occurred in 2020/21.	<ol style="list-style-type: none"> The Parish Council changed the Internal Auditor (an experienced Internal Auditor who is DMS, FCPFA, Chartered Public Finance Accountant) to reveal any and all weaknesses. He conducted the internal audit for 2021/22 and has been appointed to conduct the Internal Audit for 2022/23.

			<p>2. The Locum Clerk/RFO, in consultation with the Parish Council, has put in place this Action Plan to remedy these weaknesses.</p> <p>3. By doing so, the aim is to restore confidence in the Parish Council's compliance with laws, regulations, and Proper Practices.</p>
7	Y	N/A	N/A
8	Y	N/A	N/A