

Do the Numbers Limited
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 13th April 2017

Emma Goldring, Clerk
 Bembridge Parish Council
 5 Foreland Road
 Bembridge
 Isle of Wight
 PO35 5XN

Dear Emma,

Subject: Review of matters arising from Internal Audit for 31 March 2017

Further to my visits to the office this week, please find below the list of matters to be addressed by the council.

The list is long but most of the issues are procedural and I found the records and systems of the council to be in very good order.

Control area	Issue	Recommended Action
Payment listing	The list of payments made each month should comprise a page of the signed minutes.	Both for file copies and website publishing this should be included.
Cheque authorisation	It is a requirement of LGA 1972 that all cheques are signed by two members and that cheque stubs are initialled by both signatories.	The council should ensure that from now on all cheques are appropriately authorised.
Payment authorisation	The guidance, and good practice, state that the lists of electronic payments are signed by two members.	Members of the council should take turns to sign the list of electronic payments after checking it.
Bank balances	It is good practice to minute the bank balances in all accounts each month.	The bank reconciliation sheet should be included as a page of the signed minutes
Bank reconciliation	It is good practice for each member of the council in rotation to verify that the balance according to the scribe system agrees back to the bank statement.	A rota should be produced to ensure that all members of the council are involved to some extent in financial oversight.
Petty Cash	It does not appear that members are checking the actual balance in the tin back to the accounting system.	This should be done at least twice a year by members of the Finance Group.
Budget monitoring	The quarterly budget monitoring is currently carried out by a working party so the outcomes are not clearly minuted.	As part of the group's report to council, the budget monitoring should be included in the minutes.

Pensions and Gratuities	During the year the council Auto-enrolled those eligible staff who wished such. It also transferred amounts from a "gratuity fund" into the pensions. However the council had no power to do this and the gratuity fund was not in accordance with the legislation. It appears that the council had been advised that the fund was not valid.	The council must take great care to follow professional advice from now on, particularly in matters where the law has been specifically clarified in recent years. The payments cannot be revoked but they should never be repeated.
Wages and salaries	The council has minuted staff increments in percentage terms but there is no clear (confidential) minute specifying exactly what each member of staff is paid and the total cost implication for the council. This limits the ability of members to check the validity of wages payments.	As part of the start of budget setting in the autumn, a clear minute of payroll costs by role should be made by the council. Any changes to staffing or entitlements should be similarly minuted.
Clerks report	The minutes of the council should be to record decisions and outcomes. They should not include general community information.	The Clerk's report should be an appendix to the minutes rather than incorporated into them.
Financial Risk Assessment	The risk assessment lacks detail of dates and amounts that allow it to be used as a planning document.	Over the coming months, members should review the document to ensure clarity and detail.
Fixed asset register	The register appears to include several assets which may be obsolete or already disposed of.	Over the coming months, members and offices should review the register to ensure that all the items listed (and insured) exist and are in use.
Accounting basis	As the council has had turnover above £200,000 it was required to convert to I&E accounts for 2017. The Scribe software made the process very simple and the amended comparatives have been identified.	With I&E accounts it will be easier to identify debtors and creditors and thus maintain tight control over cashflow.
5/7 High Street – earmarked reserve	At the 18/2/17 meeting an externally produced report was reviewed showing that this building needs significant maintenance and repair over the short and medium term. Even allowing for the fact that the ground and first floor leaseholders will be liable for significant parts of the cost (33% and 50% respectively) it is not clear that the council has sufficient reserves to maintain this building to an appropriate standard.	The leaseholders occupying the building should provide written assurance that they have the funds to cover their repair liabilities during the term of their current leases. The council should at the very start of budget setting assess the timescale of costs and from where funds will be generated to cover their part of the costs.

Village Hall - earmarked reserve	At the 18/2/17 meeting an externally produced report was reviewed showing that this building is in a poor state of repair and needs significant work in the very short and short term to maintain it as an asset for the community.	It is unlikely that the current Charity tenants of the Hall will have sufficient reserves to bring the building up to standard so the liability will fall on Council reserves which are not sufficient.
Sinking Funds	This term, used by the council to date, has no legal basis. The appropriate term is earmarked reserves. All such reserves should have clearly defined terms.	The council should review all earmarked reserves at budget setting to ascertain timescales and total costs.
General reserves	As at 31/03/17 the general reserves of the council are 3.3 months of revenue expenditure. This is at the very lowest end of the guidance and not sufficient to allow further capital projects.	The council should review all reserves and capital commitments at budget setting time.
PWLB Loans	The council has two outstanding PWLB loans one of which was for the office and the other for the village hall. These are not secured loans on those buildings but cannot be repaid early.	It may be that as part of the reserves and building expenditure reviews the council may need to take out a further PWLB. Great care must be taken to ensure compliance with transparency and best practice.
Website	The web site and social media presence of the council are currently under development.	Care must be taken to ensure that website supply is resilient and that information on social media is timely and relevant.
Internal Audit report	It is a requirement of the Transparency code that all reports are published on the website.	The council should review all current reports on a quarterly basis to assess progress.
Register of members interests	Some members have left sections blank rather than write none. The forms are to protect members from accusations of conflicts of interest and should be as complete as possible.	After the elections, please could all members review and update their forms.

Please find attached my invoice for the agreed fee of £750.

If either you or your councillors have any queries, please do not hesitate to contact me.

Regards



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