



JOHN K. MURRAY

TAXATION and ACCOUNTANCY SERVICES

13 SHELLEY CLOSE
WINCHESTER, HANTS
SO22 5AS

Telephone 01962 868031
Fax 01962 620355
Mobile 07850 863612
john.murray233@ntlworld.com

17 April 2013

Dear Wendy

Preston Candover & Nutley Parish Council -
Accounts for the year ended 31 March 2013 "Internal Audit"

I have now completed the "Internal Audit" of your Parish Council Accounts for the year ended 31 March 2013. I have carried out the Internal Audit following the guidelines as documented in the NALC/SLCC Book "Governance and Accountability in Local Councils in England and Wales - A Practitioners' Guide". In particular the Internal Audit has been carried out using "an approach to internal audit testing" contained in Appendix 9 of the revised 2010 Guide.

We now have a new External Auditor in place with BDO in Southampton having been appointed. Whilst they are new to Hampshire they have experience of the External Audit of Parish and Town Councils in other parts of the Country since 2002. I have had meetings with them and find their approach quite refreshing. They are already providing Parish Councils and their Clerks with a lot more information both in hard copy and via their Extranet. We will have to wait and see how this works out this year.

Whilst the Annual Return has not altered the percentage variation that will trigger a "Reasons for Variation" report has dropped from 15% to 10%. I have queried with BDO the need to explain any variances in Box 2 and their insistence that Box 9 should be original cost rather than the replacement cost we have used since 2002 (which ties in with the Insurance Schedule) They have responded as follows:-

- Box 2 – a detailed explanation is not required just a note to state that the increase or decrease is in line with budgeted costs.
- Box 9 – it appears the rules changed in the 2011 Regulations but the wording on the Annual Return was not amended until this year (2013). It is suggested that Asset Values in Box 9 are frozen at the 2012 levels subject to adjustment for acquisitions and/or disposals. If a Council cannot do this in the current year as the Return has already been signed off by the Council then the figures should stand but frozen at the 2013 level. An explanation should be included with the Return. I also gave you an explanation of the rules drawn up by BDO.

I would make the following comments for yours and the Council's attention:-

- We discussed recruitment procedures particularly in the light of problems at a Council in Dorset. It may be worthwhile ensuring your procedures are clear and transparent. If you do not have written procedures now may be the time to rectify this.
- I understand that you have started to look at the implications of RTI as affecting the Council and its payments of tax (and national insurance if applicable) to HMRC. I would hope that HALC will be able to provide guidance on this, if needed. I also gave you some papers from a taxation magazine that might be helpful. You also need to be aware of the National Insurance trap – whilst PAYE is cumulative throughout the year National Insurance is levied on the actual payment made – so if you accumulate pay over a period of time then you could find yourself having to deduct National Insurance Contributions because of the amount payable at that time. You are OK paying every other month as far as I can see – but be aware!

-Page 1-

- VAT – you did not make a claim during 2012/13 – I would advise that claims are submitted at least annually preferably at the beginning of March so that any refund is made in the current year.
- HMRC Year End Returns – I would like to see these next year please
- Risk Assessment – you currently have one in place – this should be reviewed regularly – perhaps at the Annual Meeting in May.
- We also discussed Standing Orders and Financial Regulations. Looking at my working papers from last year (2011/12) it would appear that there were then Standing Orders but that Ron was working on Financial Regulations. Can you clarify the current situation? Both need to be in place – model forms of both will be available from HALC
- Minutes – we did spend some time on your Minutes and the points we agreed were:-
 1. I want to see the signed Minutes next year
 2. With loose leaf minutes the Chairman should sign and date the last page BUT should also initial (or sign) the intervening pages.
 3. I would suggest with a loose leaf format that you get the Minutes bound annually – more difficult to lose the odd page and keeps them tidy.
 4. The minutes should be an accurate record of everything that happened at the meeting. I would like to see all payments recorded within the Minutes, the Budget Statement that lead to the Precept decision appended to the Minutes and decisions regarding your appointment , terms of condition and salary minuted.
- Contract of Employment – you are going to send me your Contract. Please ensure your appointment both as Clerk to the Council AND Responsible Financial Officer are included and minuted. They are two separate offices than can be filled either by one person (as happens in most of the smaller Councils) or two (as often happens in larger Parish or Town Councils)
- Asset Register – you need to ensure that one is in place covering all assets held by the Council (including land and assets not specifically insured)

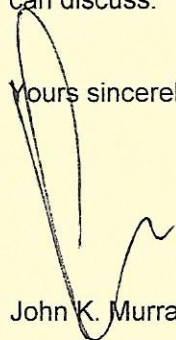
I have noted that the Audit Commission Pro-forma (with details of the Variations and Bank Reconciliation you will be sending off with this) have not yet been adopted by the Parish Council and signed by the Chairman and the Clerk Will you please provide me with a copy of the Pro-forma - Schedules 1, 2 and 4 before they are sent off and Schedule 3 when returned signed by the Audit Commission. Will you also let me have copies of the Bank Reconciliation, the Explanation of Variances and also a copy of your full set of Accounts? Please ensure that the adoption of the Accounts and the Audit Commission Pro-forma are minuted at the appropriate times - in particular 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. Please ensure (and I am sure you will) that the Form is fully completed (including filling in the boxes for the name of the Parish Council) otherwise it may be returned by the External Auditors.

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 - I have increased this by a small amount to cover increased costs etc. I trust this will be acceptable but if there is problems please contact me so we can discuss.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John K. Murray'. The signature is fluid and cursive, with a large loop at the start and a wavy line at the end.

John K. Murray

Ms. W. Simson,
Clerk to Preston Candover & Nutley Parish Council
3 Farriers Close
Preston Candover
Basingstoke, Hants.
RG24 3EZ