



**Parish Clerk to the Council/RFO: Julie Hodgkiss**

**Chairman: Cllr. Mark Underwood**

**“Protecting and improving the quality of life for all Bayston Hill residents”**

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**Initial response to the Action Plan attached to the Interim Audit report received 25<sup>th</sup> January 2022.**

Point 1:

The Financial regulations require the following with respect to budgetary control:  
4.8. The RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose “material” shall be in excess of £100 or 15% of the budget.

However, the information does not contain projected spend/income to date so it does not allow council to review whether there is actual under or over spend compared to the budgeted spend/income to date. There are no written explanations provided to council of material variances as defined in section 4.8 of the FRs.

*Recommendation - The accounting software provider should be consulted to ensure the software can produce a budgetary control report that includes budgeted spend or income to date compared to actual spend or income to date and project outturn.*

*Response: Training for adding forecasting information to Scribe reporting has taken place 16<sup>th</sup> February, 2022. Implementation and year-end reporting will reflect in coming weeks.*

*Written explanations for material variances from budget as defined in the Financial Regulations should be provided with all budgetary control reports presented to council.*

*Response: The quarterly review of expenditure against budget undertaken by the Council has included an oral explanation of variances by the Locum Clerk. A written report, in accordance with Financial Regulations, will be published to properly comply.*

Point 2:

The Highline contract ended in 2020 but was rolled over due to the pandemic situation at the time. We have seen no evidence of a written contract for this supply or evidence in the minutes that the council authorised the extension of the contract.

*Recommendation - The council should ensure compliance with the procurement requirements of the Financial Regulations. All contract extensions must be authorised by council and recorded in the minutes.*

Response: There is a record of an email exchange with Highline Electrical on 30<sup>th</sup> September 2021 where it was acknowledged that the 3 year period expired on 6<sup>th</sup> June 2020. It was agreed that billing under the original terms would remain until a review to take place in June 2022. A copy of the terms has been supplied to JDH Business Services on 12<sup>th</sup> January 2022. This matter will be brought to Council to agree on the contract extension and a timetable for new quotations for this contract and two others.

Point 3:

VAT

1). We were informed that the council may undertake a sports hall project in the medium /long term. Therefore, the council and staff will need to understand the implications of the VAT partial exemption rules for local councils and secure specialist VAT guidance before undertaking any significant contract of this type, as there is a risk for premises that provide VAT exempt services that the VAT incurred in construction may be partially or wholly irrecoverable.

*Recommendation - Before undertaking a sports hall project the council should secure written advice from a public sector VAT consultant to ensure they are clear from the outset as to whether any VAT incurred on the project is wholly or partially irrecoverable.*

Response: This recommendation is noted.

2). Our invoice sampling for community hall room hire identified that VAT is sometimes charged in the invoice by bookings staff. The council has not opted to tax these supplies so they are VAT exempt i.e. no VAT should be charged for the supply of these services. The clerk had identified the errors and corrected them within the SCRIBE system but the invoices to the customers still contained a VAT charge which means they are incorrect.

*Recommendation - Staff should receive training in which council services are standard rated, non-business or exempt from VAT.*

Response: This recommendation is noted and proper explanations have been provided to staff members. There were two instances where VAT had been incorrectly applied and the financial records were corrected. In both instances the offer of a replacement invoice for the customer was offered but deemed immaterial as neither were VAT registered and would not be reclaiming VAT.

Point 4:

The fees and charges schedule is dated 2016 and we could see no evidence in the minutes that the council fees and charges have been formally reviewed annually as required by the Financial Regulations

*Recommendation - The council schedule of fees and charges should be reviewed annually and the minutes should provide a record of this review.*

Response: At the Finance Committee meeting on 18th January 2021 - Minute ref: F35.20/21, we did touch on the fact our Hire Charges were to be reviewed. Members resolved to increase by 5% on an annual basis.

This item will be brought to March Full Council.

Point 5:

Transfers between the Unity current and deposit accounts were not authorised by council which is a breach of section 8.8 of the Financial Regulations.

*Recommendation - Bank transfers from the current account to any other deposit or other short term or long term investment account must comply with the authorisation requirements of the Financial Regulations, including transfers to CCLA public sector deposits.*

Response: In both instances, 22.3.21 and 8.4.21 - £1000.00 one way and back, the usual "Authorisation to make transactions through Internet Banking" was completed and signed by two councillors. This conforms to the Financial Regulations. In discussion at the time of the IA visit, mention of the set up with Unity Trust Bank was made, whereby inter account transfers are dual entry rather than tri entry. No money is being paid away but Unity Trust set up will be amended to require tri entry – RFO and 2 members.