

**SWAFFHAM TOWN COUNCIL**

Minutes of the Finance and General Purposes meeting on Wednesday 10<sup>th</sup> May 2010 at 7.00p.m. at the Town Hall, Swaffham.

Present: Mayor Mr D. Harman (in the chair)

Councillors: - Mr P. Darby, Mr C. Gunner, Mrs. S. Matthews,  
Mr F. Sharpe and Mr D. Wickerson.

Town Clerk:- Mr R. Bishop.  
Deputy Town Clerk:- Mrs M. Meyrick

Internal Auditor:- Mr T. Lawlor

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**1. APOLOGIES FOR ABSENCE.**

- 1.1. Cllr Butters.
- 1.2. Cllr Sherwood.

**2. DECLARATIONS OF INTEREST – for items included on the Agenda.**

- 2.1. There were no declarations of interest.

**3. MINUTES of Finance & G.P. Meeting.**

- 3.1. The Minutes of the Finance and General Purposes meeting of 2<sup>nd</sup> December 2009 were agreed and signed as a true record by the Chairman.

**4. QUARTERLY FINANCIAL REPORT from the Responsible Finance Officer.**

- 4.1. Report on Accounts to date (Income & expenditure 2009/10).

With attention turned on the previous two financial years recently in respect of the on-going audit, there has been little time to devote to the year 2009/10 which finished at 31<sup>st</sup> March 2010. A copy of the trial balance as it stands was circulated; but Councillors were asked to please note the following:-

All the carry forward balances need to be verified within the system by RBS as new balances were agreed by the Council at year end 31<sup>st</sup> March 2009 to complete the audit. RBS are coming back on the 2<sup>nd</sup> June to ensure that the amendments they made to the system in 2008/09 accounts are carried forward correctly into 2009/10. They will then agree carry forward balances as at 31<sup>st</sup> March 2010 to enable us to start the accounts for the current year. It was requested that these reports are included in the pack in future and not on the night of the meeting. The Clerk reported that it is his intention to do just that, it has just been down to time constraints which has not allowed this to be done. A question was asked relating to the balance sheet for the market. It is planned to have a budget report with details of where the accounts are at the present time at every quarterly meeting.

- 4.2. Report from Mr. Tony Lawler Internal Auditor.

Mr Lawler reported that a checklist is needed. He will need to sit down with the Clerk to organise it more formally. The Internal Auditor explained that he has been busy over the last

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3-6 months but will sit down with the Clerk to organise this as soon as possible. The allotment and market income has been gone through and it was reported that he has seen nothing untoward. This committee has had a copy of the recommendations given by the Internal Auditor and you have taken them on board.

4.3. End of year Accounts to 31<sup>st</sup> March 2010 pending visit from RBS Accounting Systems on 2<sup>nd</sup> June 2010.

The Town Clerk will give a detailed report below the line at the full Council meeting on Wednesday. A draft of the auditors report for the years ending 31<sup>st</sup> March 2008 and 31<sup>st</sup> March 2009 has been received and the Clerk has made minor comments for possible adjustment. It is hoped that the final report will be available for Wednesday's meeting.

The most important paragraph of the auditors recent e-mail reads: "On the basis of the information you have provided to me, it does appear that the Council just had sufficient revenue reserves in each year to fund the overall revenue deficit and did not use Capital Reserves, although the revenue reserves have been severely depleted. For this reason, we are not minded, at this point, to issue a formal Report in the Public Interest. However, as the Clerk reported at last weeks meeting, as a minimum, it will be an "except for" qualification within Section 3 of each year's Annual Return."

The two years of accounts have been completed on the basis that we continue the dialogue in respect of outstanding issues relating to the treatment of the capital receipt in the year 2009/10 which will be ready for audit and presented to the Council at their June 2010 meeting. It may be necessary to take further advice from both SLCC and NALC on the issue of the capital receipt. Most certainly at the July full Council and Finance Committee meetings Councillors will be considering various options open to them in order to build up general reserves, e.g. repayment of loans from the capital receipt, reducing or rationalising expenditure where possible and raising the Precept if necessary. It is envisaged that there will be more than one option on the table. It would be beneficial to keep the earmarked capital revenue and the general reserves separate but there are different opinions from SLCC, NALC and the auditor, there appears to be no definitive answer.

## **5. Financial Implications of the following:-**

5.1. Fidelity Guarantee cover for 2010/11.

The current level of Fidelity Guarantee is £150,000, the current balances of all accounts is approximately £325,000. The peak period which is as much as, £400,000 and the lower level depends on how the spending progresses throughout the year or whether loans are repaid to reduce the amount of capital money invested. The question was asked whether the guideline recommendations were from NALC or SLCC. The Clerk reported that the auditor has suggested to the Clerk up to £200,000 but will not go into more detail. Cllr Wickerson proposed and Cllr Matthews seconded to increase the level of Fidelity Guarantee.

**It was agreed to increase the current level of Fidelity Guarantee to a minimum of £200,000 but give further consideration to adjusting this level after making a decision on whether to repay loans.**

5.2. Fixed Asset Register for 2010/11.

The fixed asset Register was circulated for information. There are a few changes to put in place such as the 'Fitness for All' play equipment to add. The steel container and the Shoulder of Mutton Allotments are to be taken off.

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### 5.3. Annual review of the effectiveness of Internal Audit (Appendix 1).

The Review of the Effectiveness of Internal Audit is a requirement under the end of year annual Governance Statement which was agreed for the Mayor and Responsible Finance Officer to sign as the Council approve the Annual Statement of Accounts. A check list has been circulated as a guide, going through this should give the information that is needed to prepare an action plan which will go to the Council to approve. The action plan can then affect the terms of reference given to the internal auditor (a copy of last years was circulated); if amendments need to be made this can be done at the earliest possible date to instruct the internal auditor and Responsible Finance Officer. Key areas could have a small file where all the key financial decisions are made are updated in the file which is brought to you quarterly. It was reported that reserves should be looked at quarterly not just annually, investment arrangements needs to be looked at in the future and should be linked to the capital and revenue earmarked reserves. Written guidance on borrowing/internal transfer of funds should be looked at on a case by case basis, the finance committee would look at this before Full Council.

**The review on the effectiveness of Internal Audit was agreed with the exception of bullet point as the Council is not sole trustees of any charity.**

### 5.4. Progress report for cash-flow actual and projections 2010/11.

The cash-flow actual and projections report has formed a large part of the Finance Committees meetings in recent years. As part of the external auditors questions in respect of the 2007/08 and 2008/09 accounts the Clerk had to go back over the past five years of cash-flow; this has taken up a great deal of time and has not enabled a cash-flow report to be brought through to the current day. In terms of bank balances the Council is in a healthier state than they have been for sometime, but in terms of general revenue reserves it is fair to say that the Council will be very low and capital reserves will be higher than normal. These issues are on-going and will be resolved at the earliest opportunity.

### 5.5. Early budget considerations for 2010/11.

The only early budget consideration at this moment in time is whether to repay capital loans in order to assist with building up general revenue reserves. However, by the time this matter is ready to be considered there will be other options on the table. At the present time the target is to discuss these matters in July. There followed a discussion and it was stated that this is something that the committee need to think seriously about. The Clerk urged the committee to wait for the full report. Every year £22,000 is spent on loan payments. To pay the loans is a legitimate reason to use the capital; this would take £22000 off the revenue costs year on year.

### 5.6. Timetable for 2011/12 budget.

At the July 28<sup>th</sup> Finance meeting the list of contractors and suppliers will be reviewed and this will start the process of estimates for the budget. Estimates may be considered by the Council at their 8<sup>th</sup> September or 13<sup>th</sup> October meetings. The Finance meeting on 20<sup>th</sup> October 2010 is the deadline for receiving last minute budget requirements. 10<sup>th</sup> November full Council meeting will discuss any staffing issues relating to the budget.

First draft of the budget available Friday 12<sup>th</sup> November, final draft budget sent out to the Council on 17<sup>th</sup> November. The Budget meeting is on 1<sup>st</sup> December 2010. The Precept has to be ratified by the full Council meeting on 8<sup>th</sup> December 2010.

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The Clerk recommended that from this year onwards, in addition to the Finance Committee that a 'budget working group' is set up who would assist in the preparation of the budget. They can be a part of the process of data collection, of nudging committees with their budget Requirements, initiating and costing out new budgets or financing capital projects. They can proof read reports, be sounding boards for draft recommendations and present parts of the budget itself.

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| <p><b>It was agreed to set up a Budget Working Group consisting of 5 members from 2010 to assist in the preparation of the budget.</b></p> |
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**6. Date of NEXT MEETING**

6.1. Date of the next meeting will be on Wednesday 28<sup>th</sup> July 2010 at 7pm.

The meeting closed at 8.15p.m.

Chairman .....

## **REVIEWING EFFECTIVENESS OF INTERNAL AUDIT**

The Review to be conducted by the Finance & G.P. Committee and full Council to consider the results as all members are corporately responsible in accordance with the Annual Governance Statement and approve the Annual Statement of Accounts.

### **THE REVIEW**

Members check should be linked to the internal auditor's written report and include confirmation that:-

- Minute showing formal approval of year end accounts
- Minute accords with information in Section 1 of Annual Return (Statement of Accounts)
- Financial and other risk assessments have been undertaken
- Council has adequate insurance cover which is annually reviewed
- Council has acted lawfully in its decision making and not exceeded its powers. Internal Auditor should evidence he/she has looked particularly at powers used in financial decisions
- Electors have been given opportunity to inspect accounts and ask questions (keep notice advertising audit)
- Standing orders and financial regulations in place and up to date
- Supply of goods and services and the management of contracts been dealt with in accordance with standing orders and financial regulations
- Council has responded positively to any issues raised in previous audit reports
- Council, as sole managing trustee of any charity, has managed the accounts properly and no charity transactions, funds or reserves appear in the Annual Return (Section 1) or the Council's accounts
- Cash book (manual or electronic) is reconciled with invoices
- VAT is correctly calculated/applied, linked to invoices and has been reclaimed
- VAT and Section 137 payments are separately recorded in cash book
- Section 137 resolutions cross check with payments
- Bank reconciliations provided regularly to 31<sup>st</sup> March and all signed and dated by Clerk/RFO
- A budget has been approved and precept (if required) issued and paid
- Council has approved accounts by 30<sup>th</sup> June and prior to receipt of Internal Audit report
- Petty cash transactions recorded and reconciled
- All payments including standing orders and direct debits shown in minutes
- Significant variations in the Annual Return (Section 1) figures explained
- Asset Register submitted, up to date and concurring with Audit Report Section 1 (Box 9)
- PAYE records established and tax and NI requirements properly applied
- Letter of appointment including job description
- Minute recording annual appointment/re-appointment and minimum frequency and timing of visits
- Internal Audit is wholly independent of the Council and written internal audit reports are produced for Clerk and Chairman in their names
- Internal Audit has direct access to the Clerk/RFO and Chairman
- Prior to internal audit visit(s) the auditor liaises with the Clerk
- Internal audit meets business needs of the Council and is proportionate to its size and activities

## **EVIDENCE TO SUPPORT AUDIT REVIEWS**

### **Internal Controls:**

- Measures in place to prevent and detect fraud and corruption and effectiveness regularly scrutinized and periodically reviewed by the Council e.g. cheque signatories, bank mandates, controlled stationary, budget monitoring (actuals against budget)
- Level of reserves both earmarked and general are reviewed annually prior to budget and precept setting
- Borrowing is authorized and loan debt appropriate
- Investment arrangements (policy) are appropriate and returns adequate
- Members have opportunity to question internal auditor
- Council has acted upon any internal or external auditor's recommendations

### **THE REVIEW ACTION PLAN**

- Identify and record any weakness identified by the Internal Audit or arising from the review of internal controls
- Propose remedial action
- Monitor implementation or remedial action against key performance indicators or timetable
- Rectify or amend any financial system failures
- Provide training and support as required