

# FARNHAM ROYAL PARISH COUNCIL

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**MINUTES OF THE MEETING OF THE FINANCE COMMITTEE OF FARNHAM ROYAL PARISH COUNCIL HELD ON MONDAY 17 JUNE 2019 AT 6.00PM AT FARNHAM COMMON VILLAGE HALL, VICTORIA ROAD, FARNHAM COMMON, SL2 3NL.**

## **Present**

Mr. Bob Milne (Chairman)  
Mr. Paul Rowley  
Mrs. Marilyn Rolfe  
Mrs. Judith Hall – Clerk

## **1. Apologies for absence**

Mr. John Hodges.

## **2. To appoint a chair**

Paul Rowley nominated Bob Milne who confirmed that he was happy to be appointed Chair. Marilyn Rolfe seconded Bob Milne's appointment. The appointment of Bob Milne as Chair was agreed.

## **3. To approve minutes of the meeting held on 16 April 2019**

The minutes were **confirmed** as a true and accurate record and the minutes were then signed by the Chairman.

## **4. Matters arising from previous minutes not covered elsewhere on the agenda**

None

## **5. To review and agree recommending to the Parish Council for the year to 31 March 2019:**

### 5.1 Accounts

The Chairman presented the accounts and those present confirmed that they had reviewed them prior to the meeting. The Chairman explained that the future payments in respect of the pension deficit had been included as accruals together with the amounts due to BCC in respect of the match funding agreements concerning the completed 2018/19 LAF projects. It was agreed that the committee would recommend that the accounts were approved at the Parish Council meeting on 24 June 2019.

### 5.2 Annual Return

The Chairman advised that the internal auditor had now completed his section of the Annual Return and that unlike last year, he had been able to provide positive responses to all questions. The committee considered each of the questions in Section 1 of the Annual Return and concluded that positive responses should be made to questions 1-8 inclusive and that question 9, which related to trust funds was not applicable. It was agreed that the committee would recommend that the annual return, as completed, was approved at the Parish Council meeting on 24 June 2019.

## **6. To consider recommendations given by the internal auditors**

Those present considered the contents of the internal auditor's report.

### 6.1 Review of 2017/18 Findings

#### 6.1.1 Budget Reporting

The 2018/19 internal audit found that although the minutes of the Council meetings at which the Management Accounts are presented note that the quarterly Management Accounts have been prepared and circulated to councillors there is insufficient evidence of the formal approval of the Management Accounts. It was suggested that this is documented in the minutes and the committee agreed with this suggestion.

#### 6.1.2 Petty Cash

The 2018/19 internal audit found that petty cash transactions are now reviewed and signed off by the Chair of the Finance Committee and as a result no further action was required in respect of this item.

#### 6.1.3 Salaries

The 2018/19 internal audit agreed with the basis on which pension contributions are being calculated and as a result no further action was required in respect of this item.

#### 6.1.4 Bank Reconciliations

The 2018/19 internal audit found that from July 2018 secondary reviews of all bank reconciliations have been undertaken and are evidenced by a signature of the Chair of the Finance Committee on the printed bank reconciliations filed in the Cash Book file and as a result no further action was required in respect of this item.

#### 6.1.5 Cash Book

The 2018/19 internal audit demonstrated a clear link between the Receipts and Payments Cashbook and the adjustments made by the Accountant in arriving at the Draft Unaudited Accounts for the year ended 31 March 2019 and as a result no further action was required in respect of this item.

### 6.1 2018/19 Internal Audit Findings

#### 6.2.1 Quarterly Management Accounts

The 2018/19 internal audit found that there is insufficient evidence of any formal review of the quarterly Management Accounts. The minutes of the Finance Committee Meetings do record that the Management Accounts were recommended for circulation, but neither the minutes of the Finance Committee meetings, nor the full Council meetings explicitly record the approval of the Management Accounts. The auditor recommended that the approval of the quarterly Management Accounts should be formally provided and documented at both the Finance Committee meeting and the Full Council meeting and a paper version of the Management Accounts signed by the Chair of the Full Council meeting at which the Management Accounts are approved should then be filed with the minutes of the meeting. The internal auditor's recommendation was agreed.

#### 6.2.2 Payment Approval Processes

a. The 2018/19 internal audit found that the payment approval process described by the Clerk (and confirmed by the Chair of the Council) suggested that the monthly cashbook is reviewed and authorised prior to issue to Councillors at each monthly meeting. This review process is undertaken by the Chair of the Finance Committee and involves a sample-based examination of the proposed payments to verify legitimacy. Our work highlighted that this review could only be evidence in 3 out of 12 transactions selected for testing, and that the procedure described is not reflected in the Council's Financial Regulations. The auditor recommended that the Financial Regulations should be updated to reflect the review process and the process should be consistently applied. The Council had already resolved in May 2019 to review the Finance Regulations and was aware that amendments to update the Regulations were required. The auditor's recommendation was therefore agreed.

b. The internal process for evidencing the approval of cash book payments is that a signed copy (signed by the Chair of the Council) is filed with the minutes for the relevant month. Whilst we were able to evidence the approval process takes place, the approval signature was usually made at the following Council meeting, at the same time as the minutes from the previous meeting were formally approved. As a result, the payments which the signature authorises have long since been made and there is no guarantee that the copy of the cashbook being retrospectively approved is the same version as was discussed at the original meeting. The auditor recommended that a copy of the cash book should be signed by the Chair of Council at the time the payments are approved as opposed to retrospectively and are filed with the minutes of the same meeting. The internal auditor's recommendation was agreed.

c. The Council's Financial Regulations (6.5) state that cheque counterfoils are to be initialled by the cheque signatories but the evidence collated by the internal auditor indicates that this process is not being applied. The auditor recommended that paragraph 6.5 of the Financial Regulations should either be consistently applied or should be amended/removed as the Council deem appropriate. It was agreed that the paragraph should be consistently applied and as such cheque signatories must initial cheque counterfoils.

#### 6.2.3 Financial Regulations

The 2018/19 internal audit indicated the Council's Financial Regulations should be updated to reflect recent changes to the payment process in operation. The introduction of Internet Banking and a debit card under the control of the Clerk are two such changes that will have a significant impact on the Financial Regulations. For example, paragraphs 6.9, 6.10 and 6.18 appear to be inconsistent with the actual system in operation. The auditor recommended that the Council should carefully consider authorisation limits (debit card limit currently £2,000), signatories, approval limits, and authorisation and review processes and ensure that the Financial Regulations are appropriately updated at the earliest opportunity to reflect any decisions taken. The Council had already resolved in May 2019 to review the Finance Regulations and was aware that amendments to update the Regulations were required. The auditor's recommendation was therefore agreed.

#### 6.2.4 Risk Register

The 2018/19 internal audit indicated the Council's Risk Register requires updating to reflect the changes in the financial processes brought about by the introduction of online banking and the use of a debit card. The auditor recommended that the Risk Register should be thoroughly reviewed and updated accordingly at the earliest opportunity. The Council had already resolved in May 2019 to review the Risk Register and was aware that amendments to update the Register were required. The auditor's recommendation was therefore agreed.

#### 6.2.5 Thank You Letters

The 2018/19 internal audit identified a significant donation (£2,250) received in the financial year ended 31 March 2019. Although there were no concerns about the legitimacy of this donation as all of the conversations held with the donor regarding the contribution were verbal and are therefore undocumented the auditor felt it was hard to be certain if there were any formal restrictions placed upon this donation although by tracing of expenditure linked to the donation it appeared the funds were used for the purpose they were intended. The auditor recommended that Thank You Letters should be written for any donations the Council receives confirming the amount donated and the intended use of the funds (including legal restrictions placed upon the funds) to act as audit trail evidence should it ever be required. The Thank You letter will also act as a formal acknowledgement of the donation. The auditor's recommendation was agreed.

#### 6.2.6 Bank Reconciliation

The 2018/19 internal audit found that the bank reconciliation as at Friday 29th March 2019 did not agree to the Unaudited Accounts for the year ended 31 March 2019. Whilst the magnitude of the discrepancy was immaterial, and the Accounts themselves were correct, the bank reconciliation has been signed off by the Chair of the Finance Committee as being correct. The auditor noted that the discrepancy arose as a result of a cancellation of a cheque payment and the adjustment was simply not reflected by the preparation of an updated bank reconciliation. The auditor recommended that care should be taken to ensure that any late changes to the year-end cash book are appropriately reflected in a revised bank reconciliation at the year-end date. The auditor's recommendation was noted.

#### 6.2.7 Salaries calculation

The 2018/19 internal audit found that the Clerk is currently responsible for calculating her own net pay and setting up the online bank payments that relate to her salary (pension, PAYE & NIC and net pay). Whilst the payments themselves require approval from other Council members it is critical that these payments are appropriately scrutinised due to the risk of potential misstatement of the Clerk's contractual salary. Our work did not identify any evidence that the salary payments were being appropriately scrutinised. The auditor recommended that the Council should consider if sufficient approval processes exist surrounding the Clerk's salary to reduce the risk of fraud or error to an acceptable level. It was agreed that the Clerk would provide a copy of her contract to the Chair of the Finance Committee and then each month she would provide a copy of the salary advice showing the salary calculation and deductions to the Chair of the Finance Committee for approval.

### **6 To consider ring fencing reserves**

It was agreed that at the next meeting the Clerk would provide details of all ring fenced reserves such as the orchard, Mr Morrell's donation and the Residents' Action Group from Kemsley Chase.

### **7 Any other business**

The Clerk advised that the Internal Auditor had offered to deliver a presentation to all councillors on their financial responsibilities at a cost of c.£500. It was agreed that this should be recommended at the Parish Council meeting on 24 June 2019.

### **8 Date and time of next meeting:**

The meeting closed at 7.30pm. The next meeting is 22 July 2019 at 10am in the Parish Council Office, 1st Floor, Sherriff House, The Broadway, Farnham Common, SL2 3QH

Signed as a true record of the meeting:-

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Chairman