

# STAPELEY AND DISTRICT PARISH COUNCIL

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## SUPPORTING NOTES FOR AUDIT BY BDO LLP

### Accounts: 2013-2014

#### 1 Intermediate audit

The Parish Council has been randomly selected to receive an intermediate audit questionnaire as part of a 5% sample of basic audits. The following information has been requested:

- |       |   |   |
|-------|---|---|
| (i)   | Copy of the bank statements for all accounts showing the balance at 31 March 2014.  | ✓ |
| (ii)  | Copy of the "cash book" (i.e. Excel ledger document) to demonstrate that the Annual Return was properly prepared;   | ✓ |
| (iii) | A copy of the workings to complete Section 1 of the Annual Return;  | ✓ |
| (iv)  | A copy of the Minute demonstrating that the Internal Auditor was appointed for the audit in 2013/2014. (Note: no formal appointment was made to re-appoint JDH Business Services as the continuing internal auditor. This appointment should be made annually.) | x |
| (v)   | To evidence that a system of internal control is in place as tested by the Internal Auditor and to demonstrate that appropriate action was taken on all matters raised in reports from the Internal Auditor, to comprise the following evidence:                | ✓ |
|       | - Copy of Internal Auditor reports  | ✓ |
|       | - Copy of the Minutes which record the results of the internal audit for 2013-2014  | ✓ |
|       | - Copy of the Action Plan produced by the Internal Auditor.   | ✓ |
|       | These documents will be submitted to the Parish Council meeting in June to enable them to be submitted to BDO LLP by the due date of 30 June 2014.  |   |
| (vi)  | To demonstrate an annual review of the assessment of risks, a copy of a Minute which evidences that the risk assessment was reviewed between 1 April 2013 and 31 March 2014.  | ✓ |

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#### 2 **Variance Explanations**

The following information is to address audit issues raised by BDO in the year 2012-2013 and to provide detailed variance explanations to support the enclosed variance schedule.

##### 2.1 **Issues raised during 2012-2013 Audit**

BDO LLP commented on the level of reserves recommending that the balances carried forward be reduced to a more appropriate level stating that this would normally be no more than the level of the precept or one year's expenditure at the most.

This is accepted by the Parish Council. Each year it adopts a zero-based budgeting approach rather than an incremental approach to ensure that this “clean sheet” view is not constrained by what has happened in previous years. It encourages Members to question more closely each item of expenditure. Members start from the premise that no costs or activities should be factored into the plans for the coming budget period simply because they were in the costs or activities for the current or previous period. Every item of expenditure is considered and justified, and items/projects are not included unless there is a reasonable prospect that they will come to fruition during the financial year, not only to avoid criticism by the auditor but also in the interests of spending public money wisely.

It will be noted that the carry forward from 2013-2014 is also significantly high at **£45,470**. A variances schedule is attached showing the detailed underspend/overspend against each head of expenditure.

**2.2** The following notes relate to significant changes in activity. Line references are those listed on the variances schedule.

Precept Increase (Line 2)

The Parish Council increased its precept from £7,000 to £25,800 in 2013-2014 to allow for what was expected to be significant expenditure associated with the operation of the community hall. As will be seen elsewhere, the level of expenditure was not as high as expected.

Community Hall Income (Line 4) As explained on the variance schedule.

Clerk's Salary (Lines 8 and 9)

The Parish Council was unable to introduce a means of managing the community hall, a consequence of which was that the Clerk carried out most of the duties and this resulted in overtime costs.

Speed Watch (Line 31)

A sum of £4,500 was included in the budget for the year to purchase additional mobile vehicle-speed display units. This was an error and Members realised part-way through the financial year that additional equipment was not required.

Community Hall (Lines 42-47 on Variances Schedule)

The principal area of underspend is on the **Community Hall**, a full explanation for which is given below.

A sum of £23,500 was allocated in the budget for 2013-2014 for spend as follows:

£1,000	Line 43	Legal advice – this related to the lease and any other legal matters which might be appropriate.
£1,000	Line 44	Projects associated with the hall; eg official opening event. There were no arranged events during the year.
£15,000	Line 45	This funding was to ensure that if there was little or no income, the Parish Council would be able to meet its financial obligations, such as electricity charges (not yet invoiced, but expected to be £3,500); the cost of gas (not yet invoiced); other operating costs such as cleaning the hall (£9,000 a year); purchase of additional equipment; re-decoration of the hall at the termination of the lease; repairs and maintenance.

During the course of the year, a sum of £5,000 was vired from “Community Hall” to assist with the costs of the Public Inquiry.

£1,300	Line 46	Hearing loops (for hearing-impaired patrons). Funding vired to assist with the costs of the Public Inquiry.
£5,000	Line 47	CCTV. Funding vired to assist the costs of the Public Inquiry.

Of the £23,500 allocated, only £6,100 has been spent on community hall items, together with an additional £1,190 gross salary for the Clerk to reflect additional work incurred in operating the community hall.

The lease to operate the hall was signed in November 2012, but "trading" did not start in earnest until April 2013; prior to that only £220 income was received from bookings. It was difficult to predict the likely income for the community hall and there have been some difficulties as this was the first year of operation. The Parish Council has reduced the budget for 2014-2015 in the expectation that expenditure can be met from hall income.

#### Muller Homes Public Inquiry (Lines 49, 50)

This was not a budgeted item; the situation itself arose during the year 2013-2014 and funding was provided (as noted above) through virement from various heads of expenditure.

A total of £11,300 was vired to add to the £5,000 allocation for the technical review of transport data. This was to allow the Parish Council to be represented at the Public Inquiry following an appeal by Muller Homes.

Background: Muller Homes submitted a major planning application which proved to be controversial. Although the Parish Council is only a consultee Members decided to engage a highways traffic consultant to conduct a technical review of the transport data which accompanied the two planning applications. The Borough Council refused one application which was appealed by Muller. The second application was also appealed by Muller, but on grounds of non-determination.

The Parish Council agreed to be represented at the Public Inquiry (which took place in February 2014). During the course of the year, it became apparent that the costs involved in fighting the appeal would be in excess of the £5,000 which had been allocated for the technical review of the transport data. Barrister's costs were expected to be £9,250; solicitor's costs to instruct a barrister would be £2,500; and £3,200 was identified for the highways consultant and an independent road safety audit.

Several days before the Public Inquiry, the Parish Council received legal advice which resulted in the withdrawal of counsel services at the Inquiry and this has brought about a reduction in costs.

#### Overspend

The difference in spend between 2012-2013 and 2013-2014 is an overspend of **£1,044**. However, there is an underspend of **£23,496** against budget.

### **3 Annual Return**

#### Box 9 – Fixed Assets:

(i) The Parish Council is responsible for managing the community hall which is owned by Cheshire East Council and was the subject of a lease between the Borough Council and Parish Council from November 2012 to November 2013. The lease has not yet been renewed and the Parish Council is currently occupying the hall "at will" until a new lease has been prepared by the Borough Council.

(ii) The amount of fixed assets was amended by BDO during the previous audit (from £100,930 to £78,930). The amount of £78,930 has been retained for the current year as there have been no new purchased assets during the year.