



## MULBERRY & CO

Chartered Certified Accountants

Registered Auditors

& Chartered Tax Advisors

No 1 Pemberley Chase

West Ewell, Epsom

Surrey, KT19 9LE

t + 44(0)20 8397 6400

f + 44(0)20 8391 0149

e enquiries@mulberryandco.co.uk

w www.mulberryandco.co.uk

Our Ref: MARK/SUS001/Kingston

Clerk to the Parish Council  
Kingston Community Pavilion  
St Pancras Green  
Church Lane  
Kingston  
Lewes  
BN7 3LN

13<sup>th</sup> December 2012

Dear Martin

### **Re: Kingston Parish Council**

It was a pleasure meeting with you on the 4<sup>th</sup> at the Community Pavilion and as promised I enclose my report for your kind attention and information.

Before I attended site, I was presented with back up information on excel pertaining to the income and expenditure of the council going back a few years and e-mails questioning the movement on reserves. Whilst on site I reconciled the presented information to the annual return, bank reconciliations and physical bank statements. There were no errors. In addition to this, I tested the casting of the accounts and can confirm I found no evidence of error or fraud in any of my reviews.

I did note that the council uses individual bank accounts to represent earmarked reserves and I rather suspect that what has actually happened is that transfers from the various bank accounts have been made to support cashflow on a day to day basis which by and in itself is not incorrect; however, with no adjustment at the year end to reflect the true position of the earmarked reserves the council finds itself in the position it is currently in, which is total funds are correct, it is the breakdown of this that is missing.

I would recommend council adopt, as part of the regular reporting procedure, a schedule that details the movement and balances on earmarked reserves. In addition to this, I would suggest council agree how to reallocate the total funds across general and earmarked reserves as at 1<sup>st</sup> April 2012, and start this schedule as of that date.

I would also like to bring to the councils attention regulations 3.1 and 3.2 of the current financial regulations, which in summary state, that council cannot make expenditure on a budget heading that would take that heading into a deficit without prior council approval, and that if council approves, surplus funds can be transferred from another heading to cover this deficit. I mention this because we could not find definitive supporting documentation that shows council does this on a day to day basis. I would also like to see council noting the power under which expenditure is being made on its schedule of payments or annotated on the physical invoice.

I would recommend council increase the amount of reporting against budget to ensure adherence to 3.1 and 3.2; in addition to this, I would suggest that for full council a summary budget position be presented on the proviso that the detailed budget is presented and discussed by a finance subcommittee/working party. It may well be the case that council will need to set up such a group, but this will be of a benefit to council in the longer term, especially if the terms of reference are set so that a positive contribution is made on a regular basis.

I also reviewed the VAT reclaim position of the council and would point out that the council is not registered for VAT, and can therefore only reclaim input tax on its Non-Business expenditure. When preparing the VAT reclaim, council must strip out input tax that relates to activities undertaken by the council that could be deemed as business activities, to which frequency, scale and profit motive refers.

We did discuss the previous VAT reclaim made by the council in respect of the pavilion and I have already reported my findings on this in a previous letter and my advice stands. I note that the intended use of the pavilion has perhaps changed since that time and the actual usage reflects this position; however, council should be aware that HMRC can still open up a case going back 4 years and in the event it is felt that the a reclaim should not have been made council may still need to repay this, although I believe council has correspondence from HMRC stating a reclaim was in order. I suggest this is located and kept in the VAT permanent file. On this basis, this may indeed answer your question as to the most appropriate vehicle to run the Pavilion, and I rather suspect this sits firmly with the parish council as the simplest option.

Finally, as I referred to above council does have a number of bank accounts, on the basis that a reserves schedule is drawn up, to simplify matters I would suggest that these be reduced to a current and a deposit account only.

Kindest regards  
Yours sincerely

**Mark Mulberry**