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Mrs Fiona Hill
Clerk to Gate & Upper Helmsley Parish Council

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Dear Mrs Hill

**To the Chairman and Members of Gate & Upper Helmsley Parish Council
Internal Audit of Accounts for the Financial Year ending 31 March 2020**

I am pleased to inform you that the internal audit is complete. Appropriate tests and checks were carried out on the accounts and internal controls to confirm that the systems of financial and other controls over the council's activities and operating procedures are effective. Unfortunately, no visit to the council was possible this year as the timing of the audit coincided with changed working and travel arrangements due to the pandemic, therefore the audit has been carried out online and by discussion with the clerk. Following that I can confirm that internal controls are operating as expected and there are no matters to give cause for concern. Action taken and remaining to be taken on the matters raised in my previous report is noted in the paragraphs below. There are two new matters to bring to the attention of members.

The Annual Internal Auditors Report contained within the Annual Governance and Accountability Return 2019/20 has been completed as required.

Annual Governance Statement

This council has in place good arrangements for ensuring adequate financial management and ensuring that there is an adequate system of internal control including Standing Orders, Financial Regulations, a Risk Management Assessment document, and a Financial Risk Assessment.

Previous reports have recommended that these documents are reviewed regularly to ensure that they remain relevant, are being adhered to and that any new risks are identified and appropriate measures put in place to address those risks. Standing Orders were reviewed by the council during the 2018/19 financial year but no other documents as mentioned above, including the internal controls, were reviewed.

During 2019/20 the clerk carried out a policy review to ensure that all mandatory policies were in place but this did not include a review of those particular policies. It is intended to complete the review once the current pandemic situation is over.

Assets

At a previous visit I reviewed the council's assets recorded in the asset register against the assets that the council was insuring and their insured value. The insured value of the council's assets (street lighting columns) at just over £20,000 was significantly lower than the value stated in the asset register.

It was not clear whether the asset register value was correct, or if any or all of the street lighting columns were actually owned by the council. If they were owned by the council the recorded value would depend whether they were purchased, in which case they should be recorded at actual cost at the time of purchase, or whether they were gifted, for example as a community asset transfer, and then should be included in the asset register with a nominal one pound (£1) value as a proxy for the zero cost.

I recommended that the council review the ownership status of the street lighting columns and value them appropriately. I note that this year again the value of the street lighting columns approximates to the insured value but it has still not been determined if they are the property of the council and hence need be insured by them. The council currently pay for the electricity costs, maintenance and replacement of bulbs. If the columns are not the property of the council then they would not be responsible for all costs. I would recommend again that efforts are made to establish ownership.

Reserves

The council has prepared an annual budget for 2020/21 and from this determined their precept requirement for 2020/21. When setting the precept for the coming year most councils budget to carry forward a balance, to cover contingencies or specific spending plans. The council's precept for 2018/19 and 2019/20 was £1900 and £3000 respectively and balances at the year end were £2912 and £2467. As part of its budgetary process a council should consider the need for reserves, it is generally accepted that general revenue reserves are usually within the range of three to twelvemonths of gross expenditure.

However, despite an increase in the 2020/21 precept to £3500 to address the low level of funds, after accounting for ring fenced funds and earmarked reserves, general reserves only equate to approx. one month's expenditure.

I recommend that the council decide upon the level of working balances required before setting their precept for the next year and work towards achieving it in a realistic timescale and carry out careful monitoring of the 2020/21 budget.

Contract of employment

During 2019/20 the clerk was awarded an increase in her Spinal Column Point. However, there is no evidence that this was approved by the council in the minutes. For the future I recommend that changes to salary and terms and conditions of employment are approved by council and reflected in a new or amended contract of employment or letter of variation.

I would like to thank Mrs Hill for her assistance during the audit.

Yours sincerely

JL Bennett
June 2020

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