

YORKSHIRE INTERNAL AUDIT SERVICES  
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Mrs Fiona Hill  
Clerk to Gate & Upper Helmsley Parish Council  
~~The Byre~~  
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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 2021**

I am pleased to inform you that the internal audit is complete. Appropriate tests and checks were carried out on the accounts and management arrangements 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 again due to the continuing effect of the pandemic on work and travel arrangements, 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 with the exception of those matters mentioned below.

The current situation on the matters raised in my previous report is also noted in the following paragraphs.

The Annual Internal Auditors Report contained within the Annual Governance and Accountability Return 2020/21 has been completed as required. However, in my opinion Internal Control Objective D on the Annual Internal Audit Report has not been met. This is discussed below.

Annual Governance and Accountability Return, Annual Internal Audit Report

Control objective D states that the precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. My previous report noted that although the council had prepared an annual budget for 2020/21 and from this determined their precept requirement for 2020/21, despite an increase in the 2020/21 precept to £3500 to address the low level of funds in preceding years, after accounting for ring fenced funds and earmarked reserves, general reserves only equated to approx. one month's expenditure.

When setting the precept for the coming year most councils budget to carry forward a balance, to cover contingencies or specific spending plans. As part of its budgetary process a council should consider the need for reserves, it being generally accepted that general revenue reserves are usually within the range of three to twelve months of gross expenditure.

I recommended at that time 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. The general reserves at 31 March 2021 after accounting for ring fenced funds and earmarked reserves was a negative balance of £33. When the annual budget was set for 2021/22 a further increased precept of £4000 was requested for a planned budget of £4650 expenditure. Given the same earmarked reserves this could result in a negative general reserve of £617 at 31 March 2022.

I urgently recommend the council to review the budget for 2021/22 to ensure that obligations can be met and to ensure that the current earmarked reserves are at a level to meet anticipated needs.

#### 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 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.

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 was intended to complete the review once the current pandemic situation is over. Unfortunately, due to the difficulties of holding meetings and conducting business during 2020/21 only Standing Orders and Financial Regulation were reviewed. I understand that the remaining documents are to be formally adopted by the council at their May meeting.

#### 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) then, 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 and an appropriate value.

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

Yours sincerely



JL Bennett  
5 May 2021

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