

YORKSHIRE INTERNAL AUDIT SERVICES
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Mr Keith Langley
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Dear Mr Langley

**To the Chairman and Members of Barwick in Elmet and
Scholes Parish Council
Internal Audit of Accounts for the Financial Year ending 31 March 2020
Final Audit**

I am pleased to inform you that the 2019/20 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 time 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 outstanding action on the matters raised in my previous report is discussed in the following paragraphs. There are two new matters to bring to members attention and these are also discussed below.

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

Payment methods

Previous reports have commented on the amount and frequency of payments made by the clerk from his personal account on behalf of the council and later reimbursed. Although these have now reduced a little it is not acceptable for payments to be made in this way and does not follow the controls as set out in the council's Financial Regulations. Although reimbursement to the clerk for minor items may be acceptable for practical reasons, the scale and type of payment made in some cases did not fall into that category.

The reasons for payments being made by the clerk were mainly due to the need to make payments either quickly without waiting for the next council meeting or to take

advantage of online discounts or availability. It also has implications for reclaiming VAT as in many of these cases invoices may not be in the council's name.

I had previously recommended that the council consider the various methods of electronic banking.

However no changes were made. The non adoption of some form of electronic payments also impacts on the payment of the clerk's salary and in the past has resulted in late payments and/or adjustments required following estimates. The council's Financial Regulations state that salary payments must be made on the appropriate dates stipulated in the contract of employment provided that each payment is reported to the next available council meeting.

I also recommended that electronic payments be adopted for the clerk's salary to enable them to be made in time as per his contract of employment and in accordance with Financial Regulations.

Recently the council have agreed to undertake electronic banking and arrangements were in the process of being made to enable this but the difficulties caused by working during the pandemic have postponed this for a period of time. I urge the council to complete the process as soon as is practical.

Precept

My previous report noted that although the precept is determined as a result of a proper process and is formally approved in the minutes the amount requested was not noted. I recommended that in the interests of transparency the council should record the precept agreed and requested as an amount in pounds as well as, if wished, a percentage change. This has been done this year at the time of setting the 2020/21 budget and determination of the precept.

Direct Debits

The council pays for some of its regular services by direct debit. These are reported to council and authorised at a council meeting, although generally after the event due to the nature of the payment method.

Although these arrangements and the contracts to which they relate were agreed when first taken out I recommended following my previous visit that annually the council approve a schedule of current services paid by direct debit. This remains outstanding.

Balances and Reserves

My previous report noted that although the council had good budgetary controls with regular monitoring there was no reserves policy in place although the council did identify the need to earmark some reserves following the year end.

However, the need for reserves should be considered as part of the budgetary process. When setting the precept for the coming year most councils budget to carry forward a balance, to cover contingencies or specific spending plans. It is generally accepted that general revenue reserves are usually within the range of three to twelvemonths of gross expenditure. Councils have no legal powers to hold revenue

reserves other than those for reasonable working capital needs, or for specifically earmarked purposes. At 31st March 2019 the council's balances represented approximately 14 months of gross expenditure, reducing to 12 months after taking account of potential reserves identified at 31 March 2019. At 31 March 2020 after taking account of specific reserves the general reserve represented approximately 19 months of revenue expenditure.

I recommended that the council determine a reserves policy taking into account and deciding upon the level of working balances required and any other known events before setting their precept for the coming year. This was not done during the year of audit and consequently the increased working balance after taking into account the required specific reserves was not planned or determined by working towards a policy decision. I again recommend that the council consider introducing a reserves policy before the next annual budget is set.

Pavilion Hire

During this year the council have begun hiring the pavilion for events and functions. I note that a committee has recently been set up but terms of reference have yet to be agreed. Terms and conditions for hiring have been agreed by the council together with a scale of charges and a booking form has also been produced.

As this is a new service for the council, I recommend that they consider any additional management and financial controls needed to ensure minimum risk to council property and finances and to update and include these additional internal controls in the relevant governance documents.

Asset Register

I note that during the year there has been a comprehensive review of the asset register and recent disposals and acquisitions have been included. It does however include some low value items of office, maintenance and domestic equipment. The council may wish to consider a minimum value for new purchases to be included in the register as assets and insured. However, such minor purchases should be recorded in an inventory of small/low value items.

I would like to thank the clerk for his assistance and attention during my visit.

Yours sincerely

JL Bennett
May 2020

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