

YORKSHIRE INTERNAL AUDIT SERVICES
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Mrs G Ennion-Farrington
Clerk to Heworth Without Parish Council
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Dear Mrs Ennion-Farrington

**To the Members of Heworth Without 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 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.

There are some matters to bring to the attention of members which will require consideration and action during the year. These are discussed in the following paragraphs.

The Annual Internal Auditors Report contained within the Annual Governance and Accountability Return 2020/21 has been completed as required.

Annual Governance Arrangements

As part of its Annual Governance Statement the council declare that they have made proper arrangements for the safeguarding of public money and have a sound system of internal control. This is demonstrated by the key documents councils should have in place, which includes Standing Orders, Financial Regulations, Risk Management Strategy and a System of Internal Control. The Accounts and Audit Regulations 2015 requires the council to conduct each financial year a review of the effectiveness of the system of internal control which should inform the authority's preparation of its Annual Governance Statement.

The council have most of these key documents in place but not all have been reviewed or properly formally adopted by the council.

Standing Orders have been reviewed and adopted during the year but a review of the Financial Regulations remains outstanding. The clerk has introduced a Risk Management document during the year but this has not been formally adopted by the council. I recommend that these governance documents are reviewed regularly including the risk assessment which should be reviewed annually.

The effectiveness of the council's system of internal control has not been reviewed in the year and internal financial controls are not documented although in practice many of these will be contained within the Financial Regulations.

I recommend that the council define and document their internal controls and review these annually together with the other key documents mentioned. In addition, I noted during the audit that there are some inconsistencies between Standing orders and the Financial Regulations in limits set for obtaining quotations and estimates for work which will require review.

Financial Regulations and Payment Controls

It was noted during the audit that on many occasions throughout the year the clerk has made payments from her personal account on behalf of the council. These payments totalled more than £1200 for the year. 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 these cases does not fall into that category.

The reasons for payments being made by the clerk are mainly due to the need to make payments either quickly without waiting for the next council meeting (particularly due to the additional problems caused by remote meetings) and the need to purchase online due to the difficulties caused by the pandemic. It also has implications for reclaiming VAT as in many of these cases invoices may not be in the council's name.

The council currently uses electronic banking and makes most of its payments online where possible but does not have a debit or credit card. Financial Regulations permit the use of online payments but also state 'The council will not maintain any form of cash float. Any payments made in cash by the Clerk (for example for postage or minor stationery items) shall be refunded on a monthly basis.' Many of the payments made by the clerk were not for minor items and were not made in cash.

I recommend that the council consider the use of a debit card or prepaid debit card in the light of the comments above. The council can consider appropriate limits and methods to ensure that controls still apply and amend the Financial Regulations accordingly.

Fidelity Guarantee Insurance

The level of fidelity guarantee insurance held by the council is £25,000. Balances held at 31 March 2021 were around £60,000. Using the generally applied criteria of balances at the 31st March plus half the precept an adequate level of cover should have been around £70,000 as a minimum. The council therefore in my opinion are underinsured.

I recommend that the council consider increasing the level of cover on renewal of the policy at the end of May 2021

Precept

I note that the council at its meeting in January 2021 considered the draft 2020/21 budget and precept request. The approval of the budget and precept demand to City of York council was recorded but the amount of the precept requested was not noted. Councils have the power to raise money through taxation (the precept) and the council has gone through the proper process of determining the precept as a result of setting an annual budget. However, as a local elector it is not possible from the published information (the council minutes) to know how much money is being raised by taxation.

In the interests of transparency, I recommend the council should record in the minutes the precept agreed and requested as an amount in pounds.

Yours sincerely

JL Bennett
20 April 2021

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