

## *The Hollies, Great Asby, Appleby, Cumbria CA16 6HD*

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*To: The Chairman of Asby Parish Council  
cc: the Clerk of Asby Parish Council  
for the attention of Asby Parish Council  
at its meeting on 2 July 2020*

### **Internal Audit 2019-20**

#### **Introduction**

I have just carried out a year-end check of the Council's accounts & procedures etc for the financial year 2019-2020. Before going into specific detail, I draw particular attention to the notes which follow concerning the Council's position.

From a date shortly after the beginning of the financial year, there was no Parish Council – the previous members of the Council having all stood down (and declined to stand in the then expected election). At the same time, the then Clerk to the Council demitted office. The last meeting of that Council was on 25 April 2019, which authorised a number of payments.

From that point onwards, responsibility for action formally rested initially with Eden District Council. The action(s) taken by the responsible officer were far from prompt, and the advice he subsequently provided to the interim Council was in parts contradictory, and in parts incorrect. However, an interim Council was in due course put in place [its first meeting was held on 27 September], and a locum Clerk was appointed, so that essential business could be conducted – with some inevitable difficulties arising from the fact that there were no authorised signatories to the Council's bank account in place. Despite the best efforts of the interim Council (which for understandable reasons explicitly wished to avoid taking any “village policy” decisions), little business other than the bare minimum was therefore undertaken.

The new Council now in office, with a recently appointed Clerk, did not meet for the first time until 17 February 2020 – shortly after which the country entered into the ‘lockdown’ procedures & arrangements consequent upon the Covid-19 pandemic. The Council has since sought, so far as is possible, to conduct its business – in a new financial year – by appropriate remote means, principally (so far as meetings are concerned) using Zoom.

#### **The Council's accounts and Bank reconciliation**

I have checked the Council's account balances and bank reconciliation: and so far as I can tell the records are accurate, and the reconciliation correct. I have not, however, been able to carry out – as has previously been my invariable practice – an examination of sample transactions and the related paperwork. Accordingly, I cannot say whether the records are adequate and satisfactory. I emphasise here, however, that this failure of due process is undoubtedly due largely to the restrictions placed on the Council, its Clerk, and my own work on behalf of the Council as a consequence of the effects of the Coronavirus.

I confirmed the Council's financial situation at the beginning, and at the end, of the year, which was as summarised below. The Council now has only one Bank account, with the Cumberland Building Society.

*/over*

ASBY P-CCL  
BANK ACCOUNTS

BANK	YEAR END	
	2019/20	2018/19
	£	£
CBS a/c ...048	18,937.15	15,264.00
Cash	0.00	0.00
<b>TOTAL RESOURCES C/F</b>	<b>18,937.15</b>	<b>15,264.00</b>
<b>YR to YR</b>	<b>3,673.15</b>	<b>2,798.347</b>

The timing of most of the standard ‘year end’ decisions (and subsequent publication of information) required of the Council has been rescheduled by the Government as a direct consequence of the pandemic, but at its immediately forthcoming meeting the Council will be expected to take most of them. The approval of last year’s accounts, and the completion of the relevant AGAR documentation, plus a decision on the timing of public access, will essentially cover what is needed.

### Reserves – and the Asset Register

I should first draw attention to (a) the increase in the Council’s year end balance; and (b) to the size of the Council’s reserves. As to the increase in the balances, a significant reason for the increase was undoubtedly the cancellation (occasioned by the Coronavirus) of this year’s Appleby Fair – which meant that the Council did not incur the costs normally incurred by the village, and for which appropriate provision had been made in the budget. And as to the reserves, I need to repeat here almost exactly what I noted in my report dated 12 April 2019. I wrote then –

*... I need to draw the Council’s attention to the current size of its reserves. The Council currently holds no **restricted** funds [i.e. those held exclusively for strictly designated purposes, ... ], and its exemption from external audit requires that its general reserves should not (normally) exceed twice its precept for the relevant year.*

*Note: the Council’s “reserves” are, for this purpose, simply the total amount that it is holding “undesigned” at the year end.*

*Although future reserves policy is a matter which is properly for early consideration by the newly elected Parish Council, the Council will wish to claim exemption from external audit in respect of the 2018-19 year. I understand that the Council will have before it at its meeting later this month a recommendation to place the sum of **£1,331** in a reserve designated for the maintenance of the village footpath lighting [this being the whole of the sum for these purposes received from Eden District Council during the year]. I recommend that this action be taken ...*

and I now **strongly recommend that the Council should consider the creation of a designated reserve at an early date.**

Similarly, I am concerned about the asset values shown in the Council’s Asset Register. In my previous end of year report I wrote –

*The Council has recently updated its Asset Register, consequent upon the acquisition of the village’s footpath lighting from Eden District Council. ... there is another aspect of the Asset Register which has been highlighted by the transfer, and which requires attention during the coming year. ... I noted that I had discussed with the Clerk the relevant changes to the Council’s Asset Register (in particular, the relevant asset values), and the necessary changes to the Council’s insurance arrangements. The relevant financial guidance effectively requires that the values of the Council’s current assets are shown in the register at their “acquisition” value [i.e. for the footpath lights, £1 each]. At any given time, this figure is extremely unlikely to be the current value, or the replacement value, or the insured value, of the asset in question. For what might be called ‘petty assets’ this difference is in practice largely irrelevant, but the footpath lights alone demonstrate that this is no longer the case in respect of at least some of the Council’s assets – and the Council should develop and adopt a more appropriate and useful method of valuing its assets as soon as possible.*

**I now recommend that an appropriate asset revaluation be carried out during this financial year.**

### **AGAR Completion**

For convenience, I have attached my (completed) page of the AGAR documentation to this report. The Council will note that I have marked two internal control objectives as not having been achieved. This is, indeed, the case – but the reason for the failure is, in both instances, very largely the unavoidable consequences of operating under the conditions obtaining during the Coronavirus lockdown arrangements. Accordingly, the Council need not, in my opinion, be seriously concerned.

Finally, I should record here that I have at various times offered advice to both the Chair and the Clerk relating to both resource management and governance issues.

There are no other items that I need to bring to the Council's attention at the moment.

A handwritten signature in black ink, appearing to read 'John Bevan', with a stylized flourish extending from the end.

John Bevan