

YORKSHIRE INTERNAL AUDIT SERVICES
26 STOCKWELL ROAD KNARESBOROUGH NORTH YORKSHIRE HG5 0JZ
TELEPHONE 01423 797817

Ms Christine Downey,
Clerk to Bentham Town Council
Bentham Town Hall
Station Road
High Bentham
Lancaster
LA2 7LH

Dear Ms Downey

**To the Members of Bentham Town 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. Various matters were discussed with the clerk and action agreed where necessary. There are also a number of matters to bring to the attention of members and these are discussed in the following paragraphs. The Annual Internal Auditors Report contained within the Annual Governance and Accountability Return 2019/20 has been completed as required.

Annual Governance and Accountability Return

As a result of findings from audit work carried out a number of amendments were required to Section 2 of the Annual Governance and Accountability Return (AGAR), Accounting Statements and to the prior year's figures. These have been discussed and agreed with the clerk.

There were two reasons that the amendments were required; the incorrect inclusion of charity accounts and balances in the council's accounts and the incorrect accounting treatment of the VAT claim as a debtor.

Some time ago I understand that the council may have been the sole trustee for the Bentham Common Land's Charity but this is not now the case. Even where a council

is the sole trustee for a charity, no charity transactions, balances or assets should be included in the council's accounts.

The council's accounts are prepared on a receipts and payments basis i.e. recording actual transactions between 1 April and 31 March, as opposed to income and expenditure accounts where expected receipts and payments are included as debtors and creditors. It appears to have been the practice to include in the council's accounts the amount of VAT to be claimed, thereby inflating the council's receipts and balances by cash which had not yet been received. This is both incorrect and misleading and has been adjusted for in 2019/20 and (2018/19 for comparison purposes).

Asset Register

The council has a comprehensive asset register containing its material assets. However, the contents of the Town Hall are included as one item valued at £35,000. There is no analysis of this figure identifying assets held.

The clerk is currently undertaking a review of all council assets to ensure they are correctly recorded including compiling an inventory of Town Hall contents.

When this is completed the council may wish to consider setting a minimum value for inclusion of assets in the register and maintain a separate inventory of low value assets. At the same time the need for insurance should be considered as it may be uneconomic to insure all assets dependant on their value.

Fidelity Guarantee Insurance

The level of fidelity guarantee insurance held by the council is £100,000. Balances held at 31 March 2020 were around £76,000. Using the generally applied criteria of balances at the 31st March plus half the precept an adequate level of cover should have been around £130,000 as a minimum. The council therefore in my opinion are potentially underinsured.

I recommend that the council consider increasing the level of cover on renewal or earlier if they consider necessary.

Audit Arrangements

In previous years the council have opted to have only one internal audit visit per year. However, although it is for councils to determine the size and scope of the audit, its function is to review and test the continued existence and operation of controls throughout the year, not only at the year end.

Given the size and activities of the council and the situation due to the current pandemic preventing an actual visit I recommend an additional day's audit for 2020/21 (two in total) to ensure that systems are in place so that there is continuing control and members can ensure that they have made proper arrangements for the safeguarding of public money and their responsibility for adequate financial management is met.

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

Yours sincerely

Jane L. Bennett

JL Bennett
17 July 2020

PARTNERS ~ KC Stephenson Tel: 0113 2585610
RF Entwistle Tel 01423 797817
PRINCIPAL AUDITOR ~ Mrs JL Bennett Tel: 01924 671829