

WHPC Meeting 1<sup>st</sup> October 2024  
Agenda Item 24/303-a

External Audit: Final Report for the year ending 31<sup>st</sup> March 2023

1. Purpose

- 1.1. To inform Councillors of the completion of the External Auditor's Review for the year ended 31 March 2023.
- 1.2. To note and approve payment of the External Auditor's fee of £315 plus VAT, to agree the charge for any person requiring a copy of the AGAR and set time limit for the period for right of inspection.
- 1.3. To inform Councillors of the additional audit fee incurred due to a challenge to the Council's Annual Return for 2022-23 under Section 27 of the Local Audit and Accountability Act 2014 and to approve fee payment of £2,130+VAT.
- 1.4. For Councillors to note this report.

2. Background

Local Councils are required to complete an Annual Governance and Accountability Return (AGAR). The AGAR is a set of documents and financial statements that local councils are required to prepare and submit for each year and is an essential part of the external audit process. The AGAR serves several purposes:

- **Accountability:** The AGAR provides a transparent and accountable overview of a council's financial activities, governance procedures, and decision-making processes. It allows the council to demonstrate its stewardship of public funds and adherence to legal and financial regulations.
- **Compliance:** The AGAR helps ensure that local councils comply with statutory requirements and regulations. It includes information on the council's financial management, internal control procedures, and adherence to relevant laws and regulations.
- **Transparency:** By making the AGAR publicly available, local councils provide transparency and openness to their constituents. It allows residents and other stakeholders to review the council's financial performance, budgeting decisions, and governance arrangements.
- **External Audit:** The AGAR serves as a basis for the external audit of a local council's financial statements. Once the council completes the AGAR, it is submitted to an external auditor appointed by the Audit Commission or another approved auditor. The auditor reviews the AGAR and issues an audit opinion, assessing the council's compliance and the accuracy of its financial statements.
- **Financial Assurance:** The AGAR helps provide assurance to the council and its stakeholders that the financial operations are conducted in a responsible and proper manner. It ensures that the council's accounts are accurate, complete, and reflective of the council's financial position.

2.1. WHPC Annual Return for 2022-23

At the WHPC meeting on 23<sup>rd</sup> May 2023 it was reported (Minute 23/180) that the Internal Audit (Review of the effectiveness of the system of internal control) had been completed and the internal report had been circulated to Councillors for consideration. No matters of concerns had been identified during the audit. Councillors completed and unanimously resolved to sign the Annual Governance Statement and Accounting Statement for 2022-23 ([published on the WHPC website](#)). The Internal Auditor had been appointed by all Councillors at the WHPC December 2022 meeting (Minute 22/362).

## 2.2. Objector's Challenge to WHPC Annual Return for 2022-23

At the WHPC meeting 25<sup>th</sup> July 2023 (Min 23/253), the Parish Council was advised that a registered elector had lodged a Notice of Objection with the External Auditor under Section 27 of the Local Audit and Accountability Act 2014. The Notice of Objection listed ten objections.

## 2.3. External Auditor - Eligibility Decisions

The first step of the External Auditor's process is to determine the eligibility of the objections ie to determine whether the objections fall within the scope of the Auditor's remit. This includes:

- confirming that each objection contains the facts relating it to an item of account and/or a governance assertion on the 2022/23 AGAR;
- confirming that each objection contains the grounds explaining why an item of account on the 2022/23 AGAR is alleged to be unlawful and/or why a governance assertion on the 2022/23 AGAR is alleged not to have been complied with by the Council;

The External Auditor, in their email of 3<sup>rd</sup> August 2023 to the Objector/WHPC set out their consideration of the eligibility of the 10 objections:

- a. The appointment and lack of independence of the internal auditor (Assertion 6);
- b. The performance of the internal auditor;
- c. The responses to internal control objectives B/C/F/G/J/L/M/N on the Annual Internal Audit Report;
- d. The response to Assertion 4 due to issues raised regarding the objector's inspection rights during 2022 (Assertion 4);
- e. The Council's (*alleged*) [REDACTED];
- f. The failure to account for VAT correctly, inadequate audit trail and associated breach of financial regulations (Assertion 2 and Box 6);
- g. The Council's response to Assertion 5 regarding risk management arrangements, for example in relation to the Village Hall Path project; the defibrillators and First Responder kits and [REDACTED] (*redacted*) (Assertion 5);
- h. The unlawful payment of allowances to Members (Box 6);
- i. The failure to publish the required documentation on the Council's website (Assertions 1 and 3); and
- j. Numerous issues regarding the inspection of accounting records during the 2023 public rights period.

The External Auditor assessed the objections as follows:

- Objections **a,d,f** and **g** were considered to be linked to governance assertions or items of account in the 2022/23 AGAR and were therefore be considered to be **eligible** in those respects (*ie within the scope of the Audit*).
- Objections **b,c,e,j** were considered as **ineligible** since they did not relate to a governance assertion or item of account on the 2022/23 AGAR. (*ie outside the scope of the Audit*).
- Objections **h and i** were considered as **ineligible** since the facts and grounds on which the objection relies were not specified.

The Auditors eligibility decisions were reported to the WHPC meeting of 5<sup>th</sup> September 2023 (Min 23/298).

The Auditor's email to the Objector further explained that all the costs of any additional work carried out as a result of Objections and correspondence received would be met by the Parish Council (and therefore the local taxpayers through increased council tax).

## 2.4. External Auditors Interim Report

During September 2023, the External Auditor completed their 'standard' review of the Parish Council's Annual Return (AGAR) for the year ended 31 March 2023.

On 27 September 2023, the Parish Council received the Auditors 'interim' report (published on the Council's website which states:

- **“no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met”.**

It also explains that the Auditor was unable to complete their review of the AGAR due to the further work required to process the Objector's challenge.

## 2.5. External Auditor - Consideration & Decision

Next, the Auditor requested a formal response from WHPC in respect of accepted objections.

Over several months, WHPC compiled a detailed response to each of the objections and associated correspondence. The extensive supporting evidence included minutes and references of decisions taken by the Council. The Council's response was approved at the WHPC Meeting on 5th March 2024 (Min 24/088) and then provided to the Auditor and Objector. The meeting also approved an overtime payment of £343.20 to the Clerk for the additional hours worked to prepare the Council's response.

The next stage of the Auditor's process was to consider each of the objections, including:

- Analysis of accepted objections and information received from WHPC;
- Request for further clarification/information from objector and/or authority if required

The Council and Objector then received progress updates every three months. The letters explained that consideration of the Objection to the Council's AGAR was delayed due to a backlog arising from the high number of challenges submitted against Parish Councils in recent years. The External Auditor was unable to begin consideration of the objections made against the WHPC Annual Return for 2022/23 until August 2024. Their work was concluded in early September 2024.

## 3. For Consideration

### 3.1. External Audit Final Report and Certification

On the 3<sup>rd</sup> September 2024, the External Auditor provided a copy of the letter sent to the Objector which set out their findings in consideration of the four eligible objections. The Auditor noted that all documents material to their decisions on the accepted objections are in the public domain or have previously been shared with the Objector.

Appendix 2 provides a redacted copy of the Auditors findings. In summary,

<b>Objection</b>	<b>External Auditor's Conclusion</b>
The appointment and lack of independence of the internal auditor (Assertion 6);	We do not uphold this objection.
The response to Assertion 4 due to issues raised regarding the objector's inspection rights during 2022 (Assertion 4);	We do not uphold this objection.
The failure to account for VAT correctly, inadequate audit trail and associated breach of financial regulations (Assertion 2 and Box 6);	We partially uphold this objection but are not minded to raise a reporting matter in our external auditor report on the 2022/23 AGAR in respect of this matter since the

	<p>appropriate adjustment has already been made.</p> <p>(The Auditor notes that “in collating the evidence requested by the external auditor in relation to your objections, the Council identified an error of £111 in the VAT reclaim for 2022/23 which it made an adjustment for in a subsequent VAT reclaim in March 2024.”)</p>
<p>The Council’s response to Assertion 5 regarding risk management arrangements, for example in relation to the Village Hall Path project; the defibrillators and First Responder kits and [REDACTED] (redacted) (Assertion 5);</p>	<p>We do not uphold this objection.</p>

On the 6<sup>th</sup> September 2024 the External Auditor provided their Final Report and Certificate to the Parish Council to conclude their review of the year ended 31 March 2023 (Appendix 1);

The External Auditor’s report states:

- **“On the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.”**

### 1.1. Other Matters

The Auditors’ report also noted “Other matters not affecting our opinion which we draw to the attention of the authority”:

- We note that the Council’s risk management documentation is not published on the website and understand that the Council is considering this option. We would also suggest that the Council considers adding the risks and mitigation actions involved in the provision of leased medical equipment to the risk management documentation at the next review.
- We received challenge correspondence in relation to the 2022/23 AGAR which we considered before completing our work. The authority will receive an invoice in relation to this additional work.

### 1.2. Additional Fees

The invoice for the 2022-23 external audit consists of:

- standard annual audit fee, £315 plus VAT.
- Plus an additional fee of £2,130+vat for their work to process the objectors challenge to the 2022-23 WHPC Annual Return.

### 1.3. Notice of Conclusion of Audit

The Accounts and Audit Regulations 2015 require WHPC to:

- Prepare a “Notice of Conclusion of Audit” which details the rights of inspection of uncertified AGAR (Sections 1, 2 & 3); (Appendix 2)
- Publish the “Notice” along with the uncertified AGAR (Sections 1, 2 & 3) before 30 September, which must include publication on the smaller authority’s website.

- Keep copies of the AGAR available for purchase by any person on payment of a reasonable sum.
- Ensure that Sections 1, 2 and 3 of the published AGAR remain available for public access for a period of not less than 5 years from the date of publication.

WHPC must decide the length of time for which the “Notice” must be published. The previous statute required 14 days; but it is now up to the authority to make this decision. WHPC must also decide the charge for any person requiring a copy of the AGAR. It should be noted the previous Council’s AGAR documents remain published on the Council’s website.

## 2. Decisions

- 2.1. To note the Completion of the External Auditor’s Review for the year ended 31 March 2023 and the outcome;
- 2.2. To approve payment of the External Auditor’s fee of £315 plus VAT;
- 2.3. To approve payment of the additional audit fee of £2,130 plus VAT incurred due to an individual lodging Objections under Section 27 of the Local Audit and Accountability Act 2014 with the External Auditor;
- 2.4. To confirm the decisions made under Delegated Powers:
  - To set a charge of £20.00 for any person requiring a copy of the AGAR and:
  - to set the time limit for the period for right of inspection to be 1 month
- 2.5. To confirm that the Council will consider the publication of its Risk Register at a future meeting;
- 2.6. To confirm the decision not to publish WHPC response due to the work required to redact the extensive material;
- 2.7. To note this report.

## Section 3 – External Auditor’s Report and Certificate 2022/23

In respect of **West Hill Parish Council - DV0403**

### 1 Respective responsibilities of the auditor and the authority

Our responsibility as auditors to complete a **limited assurance review** is set out by the National Audit Office (NAO). A limited assurance review is **not a full statutory audit**, it does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and hence it **does not** provide the same level of assurance that such an audit would. The UK Government has determined that a lower level of assurance than that provided by a full statutory audit is appropriate for those local public bodies with the lowest levels of spending.

Under a limited assurance review, the auditor is responsible for reviewing Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with NAO Auditor Guidance Note 02 (AGN 02) as issued by the NAO on behalf of the Comptroller and Auditor General. AGN 02 is available from the NAO website – <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2023; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

### 2 External auditor’s limited assurance opinion 2022/23

On the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

Please see below.

Other matters not affecting our opinion which we draw to the attention of the authority:

We are unable to complete our review work on the AGAR and supporting documentation as a result of correspondence received in relation to 2022/23 and/or prior years. Once we have finalised our review and completed any additional work arising from that correspondence, a final report will be provided with the certificate of completion detailing any qualifications and 'other' matters.

Our fee note for the limited assurance review will be issued when we certify completion.

### 3 External auditor certificate 2022/23

We do not certify that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2023.

We do not certify completion because:

We have received correspondence bringing information to our attention that we must consider before certifying the completion of our review and the discharging of our responsibilities.

External Auditor Name

**PKF LITTLEJOHN LLP**

External Auditor Signature



Date

26/09/2023

## West Hill Parish Council

### Notice of conclusion of audit

#### Annual Governance & Accountability Return for the year ended 31 March 2023

Sections 20(2) and 25 of the Local Audit and Accountability Act 2014

Accounts and Audit Regulations 2015 (SI 2015/234)

	Notes
<p>1. The audit of accounts for <b>West Hill Parish Council</b> for the year ended 31 March 2023 has been completed and the accounts have been published.</p>	<p>This notice and Sections 1, 2 &amp; 3 of the AGAR must be published by 30 September. <b>This must include publication on the smaller authority's website.</b> The smaller authority must decide how long to publish the Notice for; the AGAR and external auditor report must be publicly available for 5 years.</p>
<p>2. The Annual Governance &amp; Accountability Return is available for inspection by any local government elector of the area of <b>West Hill Parish Council</b> on application to:</p> <p>(a) <u>Anne Oliver, Parish Clerk</u>  <u>email clerk@westhillparishcouncil.gov.uk</u>  <u>Tel 01404 232100</u></p> <p>(b) <u>By prior arrangement</u></p>	
<p>3. Copies will be provided to any person on payment of <u>£20.00</u>(c) for each copy of the Annual Governance &amp; Accountability Return.</p>	
<p>Announcement made by: (d) <u>Anne Oliver, Parish Clerk</u></p>	<p>(a) Insert the name, position and address of the person to whom local government electors should apply to inspect the AGAR</p> <p>(b) Insert the hours during which inspection rights may be exercised</p> <p>(c) Insert a reasonable sum for copying costs</p> <p>(d) Insert the name and position of person placing the notice</p> <p>(e) Insert the date of placing of the notice</p>
<p>Date of announcement: (e) <u>27th September 2024</u></p>	