



Lighthorne Parish Council

Statement supporting 2019-20 Financial Return

Overview

Lighthorne Parish Council (LPC) is required to publish its annual return in the form of an AGAR document and, where certain declarations cannot be made in the affirmative, provide an explanation. For the year ending 31st March 2020 this has not been straightforward.

Our 2019-20 annual return had been signed off by an internal auditor, and exemption from external audit confirmed by PKF Littlejohn. However, on our own closer examination of this annual return it became apparent that it was not accurate, and that exemption from external audit was not appropriate due to our income level exceeding the £25,000 threshold. This annual return had been submitted without presentation to LPC.

A new annual return was created from scratch. New internal and an external auditors were engaged. Subsequent to this we discovered that an internal auditor should be engaged with specific criteria, and that the external auditor should be PKF Littlejohn.

There was extensive exchange of financial information with the internal auditor, but other aspects of LPCs operations were not audited. This is clearly not satisfactory but LPC is satisfied that the financial reporting is accurate, and that procedures are being introduced that will ensure a sound footing from now on.

LPC is accountable to residents of the parish. Please see the conclusion at the end of this report before considering whether this report is acceptable.

AGAR 3 Submission for 2019-20

Pages 1 & 2 – Page 1 and most of page 2 is guidance, with a series of declarations at the foot of page 2. The Yes/No choices are those of LPC, and the No answers are explained as follows:

1. COVID has impeded physical examination of our records, but had there not been issues with the first annual return these would have been made available on request, and their availability communicated.
2. This will be explained under **Page 3**.
3. LPC does not administer any trust funds.

Page 3 – This page is as returned by the internal auditor. LPC’s assessment of the answers with the benefit of hindsight is as follows:

- A. With hindsight, records kept throughout the year were inadequate. However, before presentation for internal audit an extensive reworking of these was carried out. This will be explained in detail later.
- B. A VAT reclaim is long overdue and so it is hard to claim that VAT was properly accounted for. We will be submitting a VAT reclaim before the end of February.
- C. We had no formal review of our risk assessment, but LPC did exercise a good degree of diligence when assessing income and expenditure. A formal review of our risk assessment is underway and will be published.
- D. The precept request for 2019-20 was based largely on figures from 2018-19 and the precept did not change. We had to submit a precept request for 2020-21 before the end of January and so this remains at the same level. The precept request for 2021-22 will be formulated with a greater understanding based on a full and accurate analysis of our current and projected finances.
- E. Same comment as for B for VAT.
- F. We do not handle petty cash.
- G. Provided LPC does not pay more than the lower earnings earnings limit for NI contributions, and provided the clerk is not under PAYE with any other employer, LPC may treat the clerk as self employed. This is currently the case.
- H. A list of our assets was established as part of the engagement with the internal auditor. It will be published once reviewed by LPC.
- I. Our financial position is reviewed in every LPC meeting.
- J. We operate on a receipts and payments basis and figures are reported every month. However, we see scope for improvements which will be adopted.
- K. The internal auditor examined this. We do not plan to revisit 2018-19.
- L. See comment 1 under **Pages 1 & 2** above.
- M. Not applicable.

Page 4 – The choices on this page are those of LPC. These choices are explained as follows:

- 3. WALC advise a heavy reliance on the clerk. When the clerk is unable to provide rigorous guidance then LPC is exposed. There have been failings of process but LPC is satisfied that there have been no incidents of non-compliance. Our new clerk and some members of LPC have undergone education and processes will be improved.
- 4. See comment 1 under **Pages 1 & 2** above.
- 5. See comment C under **Page 3** above.
- 6. With hindsight this was not sufficiently rigorous. A more rigorous process is now established, explained later.

Page 5 – These figures are arrived at through rigorous examination of all bank transactions and LPC is confident that they are accurate.

Page 6 – This page is as returned by the external auditor, which was not PKF Littlejohn.

Financial Processes

A thorough review of income and expenditure for 2019-20 and 2020-21 so far has been undertaken. A new spreadsheet has been developed to accurately record and categorise all bank transactions according to purpose, and from this derive budgets and track performance against budget. This is now in place for 2019-20 onwards and is reviewed at every regular LPC meeting. The budget for 2020-21 will be finalised and published shortly, as will all future budgets.

A process for cataloguing invoices has been established, and invoices for 2019-20 onwards gathered and catalogued to facilitate easy cross reference with the spreadsheet. This was a necessary precursor to submitting our next VAT reclaim.

The spreadsheet and any receipts will be made available to any resident of the parish who wishes to study them.

Other Processes

The clerk will maintain other reports such as risk assessments and will ensure that these are reviewed at least annually, and updates published.

Conclusions

The situation for 2019-20 is clearly far from ideal. Having now had two internal audits and an external audit we have to consider whether we need to undergo further audit in order to conform to the letter of the Law. LPC judges that this would not be an appropriate expense and would provide further distraction from our principle objective of improving the community. We shall shortly be reporting on 2020-21 and are confident that this will be on a sound basis.

However, LPC is accountable to residents of the parish, and if residents are not satisfied with this annual return and this report then they are invited to contact the clerk for further information.

Andy Smith, Chairman, Lighthorne Parish Council – 9th February 2020