

Cutcombe Parish Council
2020/21 AGAR Return – Notes

These notes were approved by the Full Council at its meeting of 20 July 2021 at agenda item 21/43 iii.

Section 1: Annual Governance Statement ‘No’ Returns

Assertion 1: We have put in place arrangements for effective financial management during the year, and for the preparation for the accounting statements. The Parish Council (PC) complied fully with its requirements for budget setting for the 2020/21 financial year. The Responsible Finance Officer (RFO) in place for most of that year maintained up-to-date financial records with monthly reviews and reconciliations, taking prompt corrective action when required. However, the PC recognises that members did not carry out sufficiently regular reviews of performance against budget, caused in part by the disruptions created by Covid and by an unexpected absence of the RFO for a number of weeks. From Quarter one 2021/22 the new RFO, who joined the PC in February 2021, has established a quarterly process for reporting: progress against the budget; balances; reserves and bank reconciliation to enable members to ensure that the budget remains on track and to direct prompt corrective action whenever needed to ensure robust stewardship of public funds.

During the preparation of the financial statements for 2020/21, the new RFO discovered that accounts had historically been prepared on an Income and Expenditure (I&E) basis rather than Receipts and Payments, the latter being the correct method for the level of turnover for the PC. Given the challenges of completing the end of year accounting process explained below under Assertion 4, the financial statements for the year ending 31 March 2021 have also been prepared on an I & E basis. The new quarterly report process outlined above uses a R&P basis from 1 April 2022. As soon as practical the RFO will restate the financial statements for the year ending 31 March 2021 and resubmit these to PKF.

Assertion 4: We provided proper opportunity during the year for the exercise of electors’ rights in accordance with the requirements of the Account and Audit Regulations.

PKF Statement: ‘The smaller authority failed to approve the AGAR in time to publish it before 1 September 2020, the date required by the Accounts and Audit Regulations 2015 as amended by SI 2020/404 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 and did not disclose this by answering ‘No’ to Section 1, Box 1.’

‘We note that the smaller authority did not comply with the Accounts and Audit Regulations 2015 as amended by SI 2020/404 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 as it failed to make proper provision during the year 2020/21 for the exercise of public rights, since the period for the exercise of public rights did not start on or before 1 September 2021. As a result the smaller authority must answer ‘No’ to Assertion 4 of the Governance Statement for 2020/21 and ensure that it make proper provision for the exercise of public rights during 2021/22.’

The PC noted this finding of the external auditor relating to the 2019/20 return and planned to commence the period for the exercise of public rights in accordance within the statutory period for the year ending 2020/21. However a number of challenges regarding the completion of year end accounting and the AGAR for the 2020/21 year end, including a change of RFO and difficulties procuring an internal auditor, mean that the period for exercise of public rights will not commence until 23 July 2021. The Parish Council anticipates that it will comply with the requirements with respect to the year ending 31 March 2022.

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Assertion 5: We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and /or external insurance cover where required. The PC reviewed and remedied risks on an ad hoc basis during the 2020/21 period. The PC acknowledges the requirement to operate and regularly review a documented Risk Register and the RFO is working with our Finance Working Group as a matter of priority to ensure that a Risk Register is in place by our next PC meeting in September 2021. This register will be subject to quarterly reviews, or more frequently whenever there are material changes to risks.

Internal Auditor's Report

The PC reviewed the internal auditor's report to identify any actions required as a result of the findings. An action plan was resolved at our meeting of 20 July 2021 and progress against this will be monitored regularly. Meanwhile, the PC's specific comments are as follow.

Internal Control Objective C: See commentary above in Assertion 5.

Internal Control Objective D: See commentary above in Assertion 1.

Internal Control Objective G: The new RFO discovered one small outstanding payment of Employer's National Insurance (£36.40) during the preparation of the 2020/21 financial statements and has implemented with immediate effect a regime ensuring that the amounts due to HMRC are calculated each quarter when payments are made.

Internal control Objective J: See commentary above in Assertion 1.

Internal Control Objectives M and N: See commentary above in Assertion 4.

Statement of Reserves

The PC will be reconsidering its reserves in Q3 2021/22 during the budget and precept setting process for 2022/23. Approximately two years' general reserve is held at present, however the PC has in mind a number of projects, including implementation of a range of road safety measures, and will be determining whether to earmark reserves for these projects and the impact this will have on the level of public funds required to be collected via the precept.

Jeanna Grenville

Clerk and Responsible Finance Officer