Section 3 – External Auditor Report and Certificate 2021/22

In respect of **Staveley Town Council – DE0209**

1 Respective responsibilities of the body and the auditor

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 2022; and
• confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

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Except for the matters reported below, 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. Section 1, Assertion 7 has been incorrectly completed. In our external auditor reports for the previous three years, we reported on the low or negative reserves held by the smaller authority.

   We recommended that the authority should take action as a matter of urgency to improve the situation, to build reserves to a reasonable level to avoid any cash flow problems in the future, to consider its budgetary procedures and to ensure that the precept requested is sufficient to cover its requirements. During our review of the 2019/20 AGAR, we were informed of measures taken during 2019/20 and the beginning of 2020/21 to address the situation, including a cost cutting exercise and deferral of loan repayments and by 31 March 2021 negative reserves declared on the AGAR had reduced to £14,872 compared to £24,396 at 31 March 2020.

   The smaller authority did not, however, provide us with any update on its efforts to rectify the situation during our review of the 2020/21 AGAR. There were also various queries and requests for missing information which were not addressed by the smaller authority which we raised in our report as being outstanding. During the year ended 31 March 2022, the situation worsened significantly with negative reserves being reported as £263,898 as at 31 March 2022. While the cash book showed a small positive balance this was due to the high level of creditors at the year end indicating that supplier payments were being withheld due to lack of funds at the bank.

   As the smaller authority had not addressed the matters raised in the prior years' external auditor reports, the answer to this assertion should have been 'No'.

   We note that the situation has been addressed by the Council during the 2022/23 and 2023/24 financial years; however, due to the significance of this matter we have raised this in a public interest report and have detailed in that report how the smaller authority has addressed the situation.

(continued)

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2. The 2021/22 AGAR was not accurately completed before submission for review. We note however that the smaller authority has restated the prior year comparatives when completing the 2022/23 AGAR to account for these errors:

   - Information has come to our attention that the smaller authority has been accounting for grants receivable on an accruals basis, which is not in accordance with proper practices. The smaller authority has confirmed that during the year £71,074 of grants accrued in previous years were written off against Section 2, Box 3 and £44,805 of grants received during the year were deferred. Paragraph 2.15b of the Joint Panel on Accountability and Governance Practitioners' Guide requires all grants received by the smaller authority to be accounted for in the year in which they are received.

   - Section 2, Box 10 includes £88,650 of various loan balances that we have been unable to verify to supporting documentation. The smaller authority has confirmed that following investigation it has discovered errors in accounting for a personal loan from an individual and that the Section 2, Box 10 figure should read £938,598.

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

a. The smaller authority has confirmed that it has not complied with the governance assertions in Section 1, Boxes 1, 2, 3, 4, 5, 6 and 8, but it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified. These responses were informed by the Annual Internal Audit Report and detailed internal audit report where the internal auditor has drawn attention to significant weaknesses in respect of internal control objectives A, B, C, D, E, F, G, L and M. The smaller authority has confirmed that it has started to address these matters and should ensure that action is taken to address any remaining weaknesses in a timely manner. We note that the smaller authority has not published explanations for these 'No' responses on its website, as is required, but that the internal audit reports have been published on the website.

b. In addition to the reasons given for the 'No' response to Assertion 1, we note that the smaller authority failed to approve the AGAR in time to publish it before 1 July 2022 and also failed to publish the final signed AGAR by 30 September 2022, the dates required by the Accounts and Audit Regulations 2015.

c. We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2022/23 for the exercise of public rights, since the period for the exercise of public rights did not include the first 10 working days of July. We note that the smaller authority has answered 'No' to Assertion 4 of the Annual Governance Statement for 2022/23 in respect of this and has made proper provision for the exercise of public rights during 2023/24.

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We 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 2022.

External Auditor Name

PKF LITTLEJOHN LLP

External Auditor Signature PKF Littlejohn LLP

Date 28/05/2024

* Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)