

## REPORT TO PICKMERE PARISH COUNCIL

4<sup>th</sup> May 2021

### AGENDA ITEM 8.2 – APPROVAL OF ANNUAL GOVERNANCE PROVISIONS and PROCEDURES FOR AUDIT

#### 1. INTRODUCTION

- 1.1 As is normal at this time of year, Council must consider the acceptability of the annual financial Governance Provisions under which the Council operates, and provided it is so satisfied, to consider the annual accounts and the procedures for audit.

#### 2. THE AUDIT PROCESS

- 2.1 The Council's financial procedures in relation to the accounts for 2020-21 have been considered and accepted by the Council's internal auditor, as is required, and she has signed the appropriate confirmation. The Council's Accounting Statement has been prepared and is appended to this report. It indicates that total income for 2020-21 was £57012 and total expenditure £18849. The sole category that has changed significantly compared to 2019-20 was the Total receipts, which increased by 417% compared to the previous year. This requires a specific explanation, as follows:

- The year saw unforeseen receipts amounting to Community Infrastructure Levy receipts of £9052 together with Covid Business Rates grants of £32741, as against a reduced level of Village Hall hire receipts in 2020-21 due to Covid, and other smaller one-off receipts during 2019-20 not received in 2020-21.

- 2.2 As a result of these unforeseen receipts, the Council's financial reserves are substantially higher than at the equivalent time last year. In approving the Council's financial procedures, the Internal Auditor has commented as follows:

- *The internal auditor confirmed, following a selective risk-based assessment, the accuracy of the Parish Council's accounts supported by underlying records. The internal auditor confirmed the setting of the precept for 2019-2020 resulted from an adequate budgetary process; however following the receipt of significant unexpected funds in the year to March 2021, she expressed concerns about the appropriateness of reserves held at the year end, which equated to over six times the annual precept. It is understood that the Parish Council plans to conduct further consideration of the application of these funds in the summer of 2021. The outcome of these considerations will be further detailed when setting the precept for 2021-2022.*

- 2.3 Your Council has already recognised the unpredicted and unexpected receipt of these additional revenues and has already made timely decisions to allocate a part of the resultant reserves for various infrastructural repair and enhancement works, benefiting the local environment and community. The Council will need, over the coming few months, to give explicit consideration to how the remaining unforeseen receipts are to be allocated, earmarked, or expended. Such decisions should not of course be rushed, nor made lightly or without due consideration of both the short and long term aims of the Council. A report on this topic is likely to be presented to Council in the coming months, and certainly before the need to consider the Council's budget for 2022-23 and the related precept demand.

- 2.4 Smaller authorities, such as Pickmere, whose annual income and annual expenditure are each less than £25,000, and who meet various criteria, are not required to submit their accounts for external audit. However, since the Council's receipts for the year have exceeded the threshold of £25,000, it is necessary for the accounts to be submitted to the External Auditor for a limited assurance review. It is believed that the Auditor is not likely to comment on the accounts generally but is possible that the size of the Council's reserves (following from the unforeseen receipts over the year) will be queried or commented upon.

### **3. THE GOVERNANCE PROVISIONS AND ANNUAL ACCOUNTS**

- 3.1 Your Clerk/Responsible Financial Officer will introduce orally the Governance Provisions (see Appendix 1 'Section 1 – Annual Governance Statement 2020-21' – and seek Council's approval of them prior to your considering the financial figures.

- 3.1 The Council therefore must make decisions as to the following:

- To approve or not the Annual Governance Statement for 2020-21 – i.e. the general principles under which the Council operates, particularly in relation to its financial systems and safeguards.
- To consider and approve or not the Accounting Statement for 2020-21 – i.e. the statutory summary of the Council's receipts and expenditure during this financial year.
- To approve the Council's annual Asset Register – items such as the new lamp standard and the new signs at the IROS have been added to the register since last year.

- 2.6 The relevant documents are appended to this report.

- 2.7 Subject to your Council's agreement of these provisions and the financial figures, the Council is required:

- to send to the external auditor the AGAR forms by 30 June 2021.
- to publish relevant information on its website before 1<sup>st</sup> July 2021.
- to set a 30-working day period for the exercise of public rights to view the accounts and accounting records, this period must include the first ten working days of July. Accordingly, it is planned to set this period to start on Tuesday 29 June and to end on Monday 9 August.

### **3. RECOMMENDATION**

- 3.1 That Council notes that its accounting procedures have been successfully internally audited and notes the comment of the Internal Auditor as to the Council's financial reserves.
- 3.2 That the Annual Governance Statement be approved and the Chair and Clerk be authorised to sign the return.
- 3.3 That the Accounting Statement for 2020-21 be approved and the Chair be authorised to sign the return.
- 3.4 That the relevant documents be submitted to the External Auditor in the appropriate timescale.
- 3.5 That Council approves the Asset Register as at 1<sup>st</sup> April 2021.
- 3.6 That Council approves the proposals for providing appropriate publicity to its Accounts for 2020-21.