

Broughton Astley Parish Council 2022/23

Consideration of an Objection made under Section 27 of the Local Audit and Accountability Act 2014 (the Act)

1. As Auditor of Broughton Astley Parish Council received a formal objection dated 31 July 2023 from Mr. Graves, a councillor of the Parish, in respect of the 2022/23 Annual Governance and Accountability Return completed (AGAR).
2. Having assessed it to be a valid objection, it is our role as local auditor to decide;
 - a. whether to consider the objection, and
 - b. if we do so, whether to take action within paragraph (a) or (b) of subsection (1) of Section 27 of the Act in response.
3. These potential actions are:
 - a. Make a Public Interest Report
 - b. Apply to a court for a declaration that an item of account is unlawful.
4. If, as local auditor, we decide not to take action within paragraph (a) or (b) of subsection (1) of Section, we may recommend that the relevant authority should instead take action in response to the objection.
5. We may also decide that there is no action required to be taken.

The Objection

6. The objection points were as follows:
 - a. The accounts regularly presented to the council are being prepared on a receipts and payments basis where regulation requires the accounts to be prepared on an income and expenditure basis.
 - b. The monthly accounting details provided to council are not sufficient to enable proper monitoring of actual spending against that budgeted.
 - c. An item of account has been recorded twice in the records, on at least one occasion.
 - d. The appointed Internal Auditor does not meet the requirements as set out in the JPAG Practitioners Guide.

Consideration of the Objection Points

Point (a)

7. The responses supplied in relation to the objection have been provided by the current RFO who commenced in post after the 2022/23 accounting period.
8. Information was provided on her knowledge of the system she has inherited and the documents she provides to council.
9. We have also been provided with some reports as prepared by the previous post holder, as would have been provided to the councillors during 2022/23.
10. The accounts figures provided to the council to review appear to be exported into excel from Rialtas, a well-known accounting software package used by local authorities.
11. The monthly figures provided only show income and expenditure information and therefore it is not clear whether the debtors, creditors, accruals and prepayments were regularly updated.
12. A commentary at the foot of the year-end excel summary, as provided to the councillors, sets out the anticipated adjustments still to be processed at that date, together with an estimate of their effects on the year end surplus.
13. A further summary has been provided which identifies that the year-end debtors; creditors; accruals and prepayments are shown in the AGAR figures.
14. A summary of prepayments and accruals prepared annually as part of the year end process and entered in month 12 has been provided.
15. We have also been provided with 2022/23 Rialtas summaries which identify that the 31/03/2023 position agrees to the 2022/23 AGAR as submitted to us.
16. The regulations appear to only have regard to the method used for the preparation of the year-end accounts.
17. Therefore, we are satisfied that the monthly accounts are not required to be prepared on a full income and expenditure basis.
18. It is our opinion that no further action is required in this respect.

Point (b)

19. Reviewing the monthly accounts as provided to the council, these appear to be exported from the Rialtas software.
20. The RFO has provided information in relation to the current year which identify movements in the debtor and creditor figures which support that their preparation is not on a receipts and payments basis.
21. As noted in paragraph 11, it is not clear whether the debtors, creditors, accruals and prepayments were regularly updated.
22. The current system is that prepayments and accruals entered in month 12 are reversed in month 1 of the following year.
23. A breakdown of the accruals figure was provided and included the month 12 salaries.
24. On review of the month 1 figures for 2024/25, it appeared that no salary costs were recorded, the headings showed small negative figures.
25. This appears to be a result of the reversal the year end accruals matching with the payment of the month 12 salaries.
26. It would therefore appear that the month 1 salaries were not paid or accounted for during April (month 1).
27. On review of the figures provided at end of month 2 for 2022/23, the cost included for salaries only appears to relate to a single month.
28. This suggests the previous process is the same as the current process and that the year-end journals were fully reversed in month 1.
29. This supports that similar to the current preparation system the monthly accounts were not fully prepared on an income and expenditure basis.
30. The regulations do require that the council monitors actual spending against budget and therefore the monthly accounts should be fit for this purpose.
31. The council should therefore consider whether fully reversing the month 12 accrual in month 1 is appropriate.
32. An alternative would be for the council to consider whether the accruals and prepayments should be calculated and adjusted monthly.

33. Another alternative would be for the council to review the month 12 accruals and prepayments on the balance sheet and not reverse those which appear every year.
34. These annual accruals and prepayments could then be updated at each year-end as appropriate.

Point (c)

35. The item in question related to the external auditor's fee.
36. We have not been provided with sufficient information to fully identify the figures recorded within the external audit cost code for 2022/23.
37. We have been informed by the objector that there were two external audit fees recorded.
38. This may relate to an under accrual in the previous year or that the annual fee has been entered/paid twice.
39. We recommend that the council review their payments to identify why two years are recorded within the nominal ledger for 2022/23 and take any appropriate action.
40. We do not intend to consider making an application to a court to have the item declared unlawful due to the disproportionate costs this would incur.

Point (d)

41. The Accounts and Audit Regulations 2014 at paragraph 5 require that 'the Authority must undertake an effective internal audit'.
42. Proper Practices as provide by the JPAG Practitioners Guide 2022 also includes non-statutory guidance to assist with how to select an Internal Auditor.
43. Included within the guidance at paragraph 4.7 is the suggestion to consider appointing an internal auditor who is administered by a local association affiliated to NALC, SLCC or ADA.
44. On review of the appointed Internal Auditor, the details show that they are provided by LRALC Internal Audit Service.
45. This would appear to meet the best practice requirements for appointees.

46. It is the responsibility of the authority to discuss and set the parameters for the internal audit to ensure it is an 'effective review'.
47. The council should regularly review its engagement with the Internal Auditor to ensure the parameters continue to be set appropriately.

Conclusions and Recommendations

48. The recommendations below are raised under section 27 of the Local Audit and Accountability Act 2014 (these are not Schedule 7 recommendations).
49. We have not identified that there is a strict requirement for the monthly accounts used for the purpose of monitoring actual spending against budget to be completed on a full income and expenditure basis.
50. However, as currently the monthly figures do not appear to appropriately reflect all monthly costs, particularly salary costs, **we recommend** the council and the RFO review precisely how the monthly figures are presented to improve this process.
51. **We recommend** that the reason for two external audit fees being recorded in the 2022/23 nominal ledger is reviewed and any appropriate corrective action is taken.
52. We consider the internal auditor to be appropriately appointed and it to be the responsibility of the council to set and regularly review the parameters for the work undertaken to ensure the review satisfies the Accounts and Audit Regulation 2014 paragraph 5.
53. If no review process currently exists, then **we recommend** the council consider introducing one.
54. We would like this report to be brought to a Full Council meeting for discussion and would expect this to be documented within meeting minutes.
55. We reserve the right to escalate to a Schedule 7 recommendation or to issue a Public Interest Report should we feel the council has not taken appropriate action in response to our recommendations.

Right of appeal

56. You have the right, under section 28(3) of the Local Audit and Accountability Act 2014, to appeal our decision not to apply for a declaration. Should you wish to do so, you must issue your appeal with the High Court within the period of 21 days beginning with the date after you receive this document.
57. Please note, there is no right to appeal against the decision not to issue a public interest report.

Material information used in forming this decision:

- Accounts and Audit Regulations 2014
- Practitioners' Guide to Proper Practices March 2022 provided by the Joint Panel on Accountability and Guidance.
- Emails from the RFO containing copy reports, minutes, schedules etc.
- Internal Auditors' report.

Issued on 24/05/2024



Moore