

RESPONSE TO AGAR OBJECTION – SPECIAL COUNCIL MEETING – 2ND MARCH 2021

HISTORY

Changes in personnel within the Council team resulted in the appointment of a new Deputy Clerk and Responsible Finance Officer (RFO) in September 2019 to support the Town Clerk who had been in post since July 2017. An initial task required was to source a new internal auditor following the resignation of the previous auditor. Following recommendations, an approach was made to John Henry of JDH Business Services Ltd who agreed to assume the internal audit duties.

Upon the RFO's commencement it was identified that the accounts system and corresponding documents did not appear to be in accordance with standards of accounting practice, especially with regard to the treatment of VAT across the Council and the linked Charities.

It was agreed that a comprehensive overhaul of the accounts system be undertaken to ensure full transparency of costs across the Council. During this process questions arose over the treatment and recording of reserves together with other issues that merited further analysis.

In October 2019, the Town Clerk became absent through illness. In January 2020 a Locum Clerk was appointed to cover the existing Clerk's absence. As a result of other commitments, both the RFO and Locum Clerk are part time to the Council. The existing Clerk retired through ill health in January 2021.

In November 2019 John Henry arrived at Church Stretton to conduct his first interim audit and this covered the period April 2019 to September 2019, the six months prior to the current RFO's employment. What he found is contained in the audit report included with this report and which was first viewed by council at the December 2019 council meeting. The report and its' findings are critical of the processes and procedures at that time and of the lack of internal control exhibited by the council. This did not improve with the second interim audit and a recommendation was made that the council appoint a VAT consultant to verify the council's position as it pertained to the VAT treatment of charity income and expenditure as well as issues with partial exemption calculations.

END OF YEAR AGAR 2019/20

John Henry, in his position as internal auditor, deemed that the work required to address the identified issues by the end of the financial year in March 2020 was extremely challenging but efforts were made.

The attached spreadsheet details that a number of the errors were corrected by the year end. Accordingly, it was considered that the response of 'Yes' to the AGAR questions was appropriate. However, the external auditor has explained that merely correcting a procedure by the end of the financial year is not sufficient to warrant a 'Yes' response, the procedures and controls need to be in place for the entire financial year. This was not the case as referenced by the internal audit reports

covering April to September of that year. On that basis the responses to all of the AGAR questions should therefore have been 'No'.

OBJECTION

The internal audit report is a public report. The objector to the AGAR return, as a resident, met with the RFO and Locum Clerk. Prior to the meeting the internal audit reports were provided to the resident. Based on his own review of the internal audit reports he lodged an objection against the AGAR return with the external auditor, PKF Littlejohn. This objection is included in the reports and outlined in the spreadsheet.

CONCLUSION

After discussions with the external auditors on the findings of the internal audit and subsequent objection, the council needs to reconsider the submission provided for the Annual Governance Statement return for the 2019/20 financial year. This will address the concerns raised by the external auditors by making a revised submission to reflect the points above along with the actions being taken to address the controls and procedures at the council which are being systematically overhauled and improved.

RESOLUTION

The Council reconsiders the submission of the original Annual Governance Statement for 2019/2020 financial year and resubmits a revised Statement with the boxes ticked 'No' and that the accompanying AGAR Response sheet is submitted to detail the changes being made.

BC/CJM/27.02.2021