



Lenham Parish Council – Elements of the Audit Process 2019/20

Why is an audit required?

In order to minimise and scope for misappropriation of funds within a local authority an audit is required to review specific documentation to ensure that both Governance and Financial Controls are such as to identify significant or material differences from those submitted for public review.

The Local Audit and Accountability Act 2014 established new arrangements for the accountability and audit of local public bodies in England. The legislation states that for the financial year starting on 1 April 2017, all smaller authorities must appoint their own external auditor.

SAAA undertook a comprehensive and robust procurement tender exercise in 2016 which resulted in the appointment of external auditors in a cost effective way that has resulted in significant financial savings for the smaller authority sector.

To assist smaller authorities find and appoint an external auditor, the Secretary of State at the then Department of Communities and Local Government (DCLG) specified SAAA as a sector led body with powers to procure and appoint auditors and set audit fees for smaller authorities in compliance with the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, and the Local Audit (Smaller Authority) Regulations 2015.

A Smaller Authority is one where:

- The authority certifies that during the financial year, the higher of the authority's gross income for the year **or** gross annual expenditure for the year did not exceed **£25,000**;
- The authority was in existence on 1st April 2016;
- In relation to the preceding financial year, the external auditor **has not**:
 - issued a public interest report in respect of the authority or any entity connected with it;
 - made a statutory recommendation to the authority, relating to the authority or any entity connected with it;
 - issued an advisory notice under paragraph 1(1) of Schedule 8 to the Audit and Accountability Act 2014 ("the Act"), and has not withdrawn the notice;
 - commenced judicial review proceedings under section 31(1) of the Act;
 - made an application under section 28(1) of the Act for a declaration that an item of account is unlawful, and the application has not been withdrawn nor has the court refused to make the declaration;
- The court has not declared an item of account unlawful after a person made an appeal under section 28(3) of the Act.



Lenham Parish Council undertook an exercise between the Responsible Financial Officer (RFO) and the Internal Auditor where the RFO completed the financial year end accounts and from these completed the Annual Governance and Accountability Return (AGAR) which confirmed the Governance and Controls within the Parish Councils financial statements. This return was limited in scope due to the level of funding the council has had in the past. However, regardless of size, the Parish Council is responsible for completing;

- The AGAR with includes an Annual Internal Audit Report (AIAR) completed by the RFO and review performed alongside, but independent from, the appointed Internal Auditor
- Abbreviated financial statements in line with statute
- Variance report detailing differences from year to year in line with statute, and
- Year-end Bank Reconciliations to ensure that funds held in the bank agree to those stated in the accounts.

It is the responsibility of the local Authority to publish these findings so any member of the public can view them if they wish.