East Dean & Friston
Parish Council

Date: **06 May 2021**

Title: **Report Item 8c – Intermediate Level Review**

By: **K Larkin (Parish Clerk)/M Keller (Chair of the Council)**

Purpose: **To report on the requirements of the Intermediate Level Review and provide the information required in response**

Recommendations: **a) To note the report**
b) To approve the recommended response in relation to Employment issues
c) To approve the recommended response in relation to 'except for' matters
d) To consider and determine the appropriate responses to each of the nine Governance assertions

---

1. Introduction

Each year the council has to submit an Annual Governance and Accountability Return for audit. The External Auditors are required to select a random sample each year of up to 5% of smaller authorities, who would otherwise be subject to basic level review procedures, for intermediate level review procedures. In addition, they have discretion to select an additional sample on a risk-based approach. East Dean and Friston parish council has been selected for inclusion in 2021**,** though the basis for its inclusion is not stated. This means that the following information must be supplied to the External Auditors in addition to the standard basic level review information:

- Evidence that the council is registered as an employer with HMRC and is compliant with the guidance included in the Practitioners' Guide 2020 paragraphs 5.48 to 5.54 in respect of Employment issues.
- if the 2019/20 external auditor report included any 'except for' matters, copies of minutes and any agreed plan showing the corrective action taken to address these matters
- Evidence that the Annual Governance Statement assertions for the forthcoming 2021 Return have been collectively approved by the council members based on the supporting papers and discussion for each assertion.

The default submission date remains 2 July 2021. However, no additional fee will be payable by the parish for the additional work done by the External Auditor on the intermediate level review.

The purpose of this report is to marshal the evidence required by the council for its responses, including individual consideration of each of the nine Annual Governance Statement assertions. **Evidence/suggested responses are printed in blue.**

2. Employment

The Practitioners' Guide 2020 contains the following advice in relation to Employment:

- 5.48. Authorities with any employees are, by definition, employers and are required to apply Pay as You Earn (PAYE). PAYE taxes and employee and employer National Insurance contributions (NIC) should be calculated and recorded for every employee. Deductions should be paid to HMRC on or before the date prescribed. In addition, the general requirements of employment law apply. **Response:** the parish council is a registered PAYE employer and runs its payroll through HMRC's own Basic PAYE Tools software system, which includes the reporting of Real Time Information. The Clerk and Admin Officer both have contracts that follow the NALC approved model.
- 5.49. HMRC guidance setting out the correct income tax and NIC treatment of parish clerks is set out in the HMRC Employment Income Manual. This guidance confirms that a parish clerk is an office holder and that all office holders are subject to PAYE. This means that parish clerks: can never be considered as self-employed for tax or NIC purposes; cannot be paid 'gross'; and fall to be taxed under PAYE. **Response:** the council and its officers are compliant in all respects.
- 5.50. HMRC guidance confirms that where the Responsible Financial Officer is a separate appointment, the RFO is also an office holder and is subject to the same income tax and NIC rules as the clerk. **Response**: in East Dean the Clerk/RFO is a single appointment.
- 5.51. Authorities should pay particular attention to situations where contractors are engaged to carry out the authority's services. Occasions may arise when contractors cease to be self-employed and become employees for tax purposes. Authorities should refer to HMRC's Employment Status Indicator Tool for further information. **Response**: The council is satisfied that all its contractors are self-employed. They are paid on presentation of invoices.
- 5.52. As part of risk management arrangements, written confirmation should be sought from HMRC to ensure that payments for services are being correctly treated; otherwise authorities may find themselves with unexpected and significant liabilities to pay income tax and employers NIC. Care should also be taken when making any payments of expenses or allowances to nonemployees, for example authority members, which should also be considered as falling within the scope of PAYE. **Response**: the council pays each of its two officers £18 per month for using their homes as offices; £18 is the published threshold above which HMRC regards such payments as taxable. All other payments to officers are reimbursements for office supplies and are refunded on presentation of paid invoices. Standard mileage allowance, from HMRC, is paid to employees and councillors undertaking journeys on council business. The council is prepared to pay councillor allowances, at the level approved by the Independent Review Panel and recommended by Wealden District Council (£167 per annum). Two of the eligible councillors claim the allowance and are aware that it falls within the scope of PAYE.

- 5.53. All employers are required by law to take out employers' liability insurance and decide the appropriate level of fidelity guarantee insurance. All cover should be risk based and kept under constant review to make sure it adequately reflects changes in circumstances. **Response:** The council has £5 million employers' liability insurance and £100,000 fidelity guarantee insurance and is fully compliant.
- 5.54. Authorities should have regard to guidance on employment matters issued jointly by NALC and SLCC, or by ADA. **Response**: The council conducts an annual review for each employee taking account of updated guidance. The clerk's last appraisal was done at a council meeting on 1 October 2020, Minute C.294; the Admin Officer's last appraisal was done on 5 November 2020, Minute C.309.

RECOMMENDATION – That the council supplies the above responses to the External Auditor together with their Employer PAYE Reference number and/or a copy of their Employer Payment Record for the tax year 2020/21; Employer's Liability Certificate 2020-21; Council Guard insurance policy schedule; and (if required) copies of officer contracts for verification.

3. Exceptions raised by the External Auditor in 2019/20

No matters were raised, so no action is required. A copy of the External Auditors' report 2019/20 is appended to this report (Annex A). It has been displayed on the council website since 22 September 2020 in accordance with the auditor's requirements.

RECOMMENDATION - That the council take note of the External Auditor's Report 2019/20.

4. Annual Governance Statement Assertions 2021

A blank copy of the Governance section of the 2021 Return form is appended to this report (Annex B). It is in the form of nine statements, known as assertions, to which the council needs to answer 'Yes' or 'No'. The Practitioners' Guide sets out the actions that authorities need to have taken either during the financial year or after the financial year-end to answer 'Yes' to each assertion. The council needs to have appropriate evidence to support a 'Yes' answer to an assertion, for example a reference in a set of formal minutes. If the council is not able to respond 'Yes' to any assertion, it needs to provide an explanation to the external auditor on a separate sheet describing how the authority will address the weaknesses identified. These explanations must be published along with the completed AGAR. The following paragraphs set out the nine assertions individually with the related Practitioners' Guide paragraphs and corresponding evidence from the council in each case (evidence printed in blue):

Assertion 1 - Financial Management and Preparation of Accounting Statements: We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements. To warrant a positive response to this assertion, the following processes need to be in place and effective:

- **1.8 Budgeting** — The authority needs to prepare and approve a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial year. It needs to monitor actual performance against its budget during the year, taking corrective action where necessary. A financial appraisal needs to be

undertaken before the authority commences any significant project or enters into any long-term commitments. **Evidence**: Budget Development 2020/21 to 2022/23 was considered by the council at its meeting on 5 December 2019, Minute C.133; and again on 7 January 2020, Minute C.153; with capital projects receiving separate consideration. Budget Monitoring reports during the year 2020/21 were considered on 7 May, Minute C.222(c); 4 June, Minute C.240(c); 2 July, Minute C.253 (c); 6 August, Minute C.271(c); 1 October C.291 (b); 5 November, Minute C.307 (c); 3 December, Minute C.325 (b); 7 January , Minute C.339(c); 4 February, Minute C.357(b); and 4 March, Minute C.371(b).
RECOMMENDATION – The council agree with this assertion based on the above evidence.

- **1.9 Accounting records and supporting documents** — All authorities, other than parish meetings where there is no parish council, need to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972. Section 150(6) of the same Act makes the chairman of a parish meeting (where there is no parish council) responsible for keeping its accounts. The authority needs to have satisfied itself that its Responsible Finance Officer (RFO) has determined a system of financial controls and discharged their duties under Regulation 4 of the Accounts and Audit Regulations 2015. The RFO needs to have put in place effective procedures to accurately and promptly record all financial transactions, and maintain up to date accounting records throughout the year, together with all necessary supporting information. The accounting statements in Section 2 of the Annual Governance and Accountability Return need to agree to the underlying records. **Evidence:** the council has since 2019 used a code-based accounting system on which all financial transactions are recorded on a Cash Book sheet and automatically update the Budget Monitoring sheet which is regularly supplied to all councillors and on which the accounting statements in Section 2 of the AGAR are based. The whole package is given to councillors once a quarter and is subject to inspection by the Internal Auditor.
RECOMMENDATION – The council agree with this assertion based on the above evidence.

- **1.10 Bank reconciliation** — Statements reconciling each of the authority's bank accounts with its accounting records need to be prepared on a regular basis, including at the financial year-end, and reviewed by members of the authority. **Evidence:** Under the council's Financial Regulations which were last updated on 5 March 2020, Minute C.118 and follow the NALC model, the Chair and Vice Chair and another named councillor who is not a cheque signatory verify the bank reconciliations (FR 2.2). This is done monthly. The arrangements for carrying out this function were last reviewed at a council meeting on 1 October 2020, Minute C.283, when Cllr Hill was named as the third verifier. Copies of the complete accounts package and current bank statements are sent to all three. During 2020/21 the verification has been done by email to comply with Covid-19 restrictions. The Chair and Vice Chair can also inspect the council's bank accounts online at any time. In normal times the folder of invoices is brought to each council meeting for checking; due to Covid-19 restrictions the complete folder is to be supplied to the third verifying member prior to approval of the final accounts.

RECOMMENDATION – The council agree with this assertion based on the above evidence.

- **1.11 Investments** — Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements are invested appropriately, in accordance with an approved strategy which needs to have regard to MHCLG's statutory Guidance on local government investments. If total investments are to exceed the threshold specified in MHCLG's statutory guidance at any time during a financial year, an authority needs to produce and approve an annual Investment Strategy in accordance with the MHCLG guidance. **Evidence:** The council has a savings account which contained £14,341 at 31 March 2021; and a separate savings account dedicated to the maintenance of defibrillators in the parish containing £5,157 at 31 March 2021. There are no investments. This is in line with the Practitioner's Guide 2020, para. 5.28.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

- **1.12 Statement of accounts** — The authority needs to ensure that arrangements are in place to enable preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices. **Evidence:** the accounting package used by the council is code-based and automatically updates the total expenditure to date under each budget head, as previously stated.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

- **1.13 Reserves** — The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves. Supporting information on financial management and preparation of accounting statements can be found in Section 5. **Evidence:** The council considered the level of its reserves on 3 December 2020, Minute C.319 and again on 7 January 2021, Minute C.334 in the context of setting the budget for 2021/22. The level of reserves is intended to remain close to the figure for 12 months' expenditure, in line with the advice of the Practitioners' Guide 2020, para 5.32.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

Assertion 2 – Internal control: We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness. In order to warrant a positive response to this assertion, the following processes need to be in place and effective:

- 1.14 Standing Orders and Financial Regulations. The authority needs to have in place standing orders and financial regulations governing how it operates. Financial regulations need to incorporate provisions for securing competition and regulating the manner in which tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to. **Evidence:** The council's Standing Orders were last fully updated on 4 July 2019, Minute C.63; but a modification to SO3a was made on 7

May 2020, Minute C.215, to refer to the Coronavirus regulations. SO17 deals with Accounts and Accounting Statements. The council's Financial Regulations were last updated on 5 March 2020, Minute C.188; FR2 deals with Accounting and Audit. The council's mowing contact came up for renewal during the year, and a package of tender documents was approved by council on 3 December 2020, Minute C.320. The tenders were considered and the contract allocated on 7 January 2021, Minute C.335.
RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.15 Safe and Efficient Arrangements to Safeguard Public Money. Practical and resilient arrangements need to exist covering how the authority orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts. Authorities need to have in place safe and efficient arrangements to safeguard public money. Where doubt exists over what constitutes money, the presumption is that that it falls within the scope of this guidance.
    - 1.15.1 Authorities need to review regularly the effectiveness of their arrangements to protect money. Every authority needs to arrange for the proper administration of its financial affairs and ensure that one of its officers (the RFO) has formal responsibility for those affairs. **Evidence:** the parish clerk/RFO has formal responsibility for the council's financial affairs [see response under **1.9 Accounting records and supporting documents** on page 4 above].
      RECOMMENDATION – The council agree with this assertion based on the above evidence.

    - 1.15.2 Authorities need to ensure controls over money are embedded in Standing Orders and Financial Regulations. Section 150(5) of the Local Government Act 1972 required cheques or orders for payment to be signed by two elected members. Whilst this requirement has now been repealed, the 'two member signatures' control needs to remain in place until such time as the authority has put in place safe and efficient arrangements in accordance with paragraphs 1.15.3 to 1.15.6. **Evidence:** Currently the clerk alone is authorised to make online payments, subject to council approval, but the council has identified a need to have a second person authorised to make online payments in the absence of the clerk. At the council meeting on 6 May 2021 the council will be requested to authorise the Admin Officer to take on this responsibility.
      RECOMMENDATION – The council recognises that work needs to be done here and intend to pursue this actively.

    - 1.15.3 Authorities need to approve the setting up of, and any changes to, accounts with banks or other financial institutions. Authorities also need to approve any decisions to enter into 'pooling' or 'sweep' arrangements whereby the bank periodically aggregates the authority's various balances via automatic transfers. **Evidence:** banking arrangements are routinely reviewed at the Annual Parish Council Meeting (APCM 16 May 2019, Minute C.21).

There are no 'pooling' or 'sweep' arrangements: the council has a simple business current account and two savings accounts.
RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.15.4 If held, corporate credit card accounts need to have defined limits and be cleared monthly by direct debit from the main bank account. Credit card balances are not acceptable reconciling items for bank reconciliation purposes. **Evidence:** the council does not have any credit cards.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.15.5 The authority needs to approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates. **Evidence:** bank signatories are reviewed at the Annual Parish council Meeting or when changes in council membership require it (APCM 16 May 2019, Minute C.21; updated 2 July 2020, Minute C.247; updated 1 October 2020, Minute C.283).
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.15.6 Risk assessment and internal controls need to focus on the safety of the authority's assets, particularly money. Those with direct responsibility for money need to undertake appropriate training from time to time. **Evidence:** As an example**,** during the year a query arose over payment of VAT and the clerk sought the advice of the SLCC which was obtained by email and also referenced VAT Notice 749.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.16 Employment — The remuneration payable to all employees needs to be approved in advance by the authority. In addition to having robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities, the authority needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations. **Evidence:** The council reviews its officer's salaries annually and pays them in accordance with the National Salary scales published by NALC. The Clerk's salary is at scale point 21 (set at a meeting on 1 October 2020, Minute C.294, but backdated to 1 April 2020); the Admin Officer's salary is at scale point 15 (set at a meeting on 5 November 2020, Minute C.309 and effective from 1 November 2020, being the first anniversary of her appointment).
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.17 VAT — The authority needs to have robust arrangements in place for handling its responsibilities with regard to VAT. **Evidence:** the council is registered for VAT (Registration No. 191430281) but makes very few sales. Any VAT due to HMRC is

normally more than offset by VAT reclaims on purchases. All VAT is entered separately in the accounts package which is subject to audit.
RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.18 Fixed Assets and Equipment — The authority's assets need to be secured, properly maintained and efficiently managed. Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt. **Evidence:** there have been no disposals of assets and no resulting capital receipts. An Asset Register is maintained, checked at each Annual Parish Council Meeting (16 May 2019, Minute C.14) and additionally as part of the annual audit process.
RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.19 Loans and long-term liabilities — Authorities need to ensure that any loan or similar commitment is only entered into after the authority is satisfied that it can be afforded and that relevant approvals have been obtained. Proper arrangements need to be in place to ensure that funds are available to make repayments of capital and any associated interest and other liabilities. **Evidence:** the council has no loans or long-term liabilities.
RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.20 Review of effectiveness — Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to conduct each financial year a review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement**. Evidence:** the council reviews the effectiveness of its Internal Audit regime annually. A list of items the Internal Auditor proposed to check remotely in 2021 was supplied to the council for prior approval (1 April 2021, Minute C.378 (a)).
RECOMMENDATION – The council agree with this assertion based on the above evidence.

Assertion 3 – Compliance with laws, regulations and proper practices: We took all reasonable steps to assure ourselves that there are no matters of actual or potential noncompliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances. In order to warrant a positive response to this assertion, the following processes need to be in place and effective:

- 1.22 Acting within its powers — All authorities' actions are controlled by statute. Therefore, appropriate decision-making processes need to be in place to ensure that all activities undertaken fall within an authority's powers to act. In particular authorities need to have robust procedures in place to prevent any decisions or payments being made that are ultra vires, i.e. that the authority does not have the lawful power to make. The exercise of legal powers needs always to be carried out

reasonably. For that reason, authorities making decisions need always to understand the power(s) they are exercising in the context of their decision making. **Evidence:** The council was qualified to use the General Power of Competence up to and including June 2020, when three elected councillors resigned. The power had been properly adopted at the APCM on 16 May 2019, Minute C.19. It is a power of first resort. After June 2020 the council reverted to noting items of expenditure where there was no specific authorising power under S.137 in its accounts. The Budget Monitoring sheet in the accounts package has been annotated to show which specific power each type of expenditure now falls under, with the GPC no longer applicable. The mowing of highway verges within the 30 mph zone was approved when the council did have the GPC and the action is therefore permitted to continue. It is carried out under the supervision of East Sussex Highways and is subject to a legal Agreement between the parish council and the county council. Section 137 expenditure is permitted up to a total of £12,172 (£8.32 per elector x 1463 electors. It is recognised that the inclusion of two privately owned village greens in the council's mowing contract is not usual. This has been queried in the past by Internal Auditors but the parish council has continued with it for three reasons: (1) it has been extensively debated in the parish in past years including at past Annual Village Meetings; (2) it has very strong popular support as it maintains the attractiveness of the village; and (3) in each case there is full public access to the land, each being a registered village green.
RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.23 General power of competence — In particular an authority seeking to exercise a general power of competence under the Localism Act 2011 needs to ensure that the power is fully understood and exercised in accordance with the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012. **Evidence:** the council understands that at least two thirds of the councillors must have been declared elected; and the clerk must hold an appropriate qualification which covers the GPC. Since July 2020 the council has not met the first criterion, though it meets the second (the clerk has CiLCA, updated to include section 7 of the 2012 syllabus). The council has hitherto been unable to regain GPC through the election of replacement councillors due to the ban on council elections invoked under Coronavirus legislation but hopes to reclaim the power after 6 May 2021 when three new members should be formally elected.
RECOMMENDATION – The council recognises that work needs to be done here but believes the situation will be resolved following the By-election on 6th May.

- 1.24 Regulations and proper practices — Procedures need to be in place to ensure that an authority's compliance with statutory regulations and applicable proper practices is regularly reviewed and that new requirements, or changes to existing ones, are reported to members and applied. Authorities need to have particular regard to the requirements of the Accounts and Audit Regulations 2015. **Evidence:** the council's standing order SO5(j) specifies the business to be conducted at the annual parish council meeting, which includes a general review of regulations and standing orders. In addition, as new requirements or possible improvements come to attention during the year they are dealt with at the time.

RECOMMENDATION – The council recognises that work needs to be done here as it was not possible to hold an APCM in 2020 due to Coronavirus legislation. This will be pursued actively once Coronavirus restrictions have been lifted.

- 1.25 Actions during the year — An authority needs to have satisfied itself that it has not taken any decision during the year, or authorised any action, that exceeds its powers or contravenes any laws, regulations, or proper practices. **Evidence:** During the year, exceptionally, three complaints have been made to the Monitoring Officer against the council, and one to the Information Commissioner against the clerk:
    - In the case of Decision Notices 13/2020 and 14/2022 from the MO, which concerned the same matter, both Decisions said: *No evidence of bullying though the Monitoring Officer expressed concerns about the language used in reports and emails. The Monitoring Officer advises the Parish Clerk and Chairman to review their procedures, including around communications and record keeping. The Monitoring Officer recommends the Parish Clerk arranges training (through NALC or similar) to improve procedures and communications.* A training session on communications was on offer at the time by the Sussex Association of Local Councils and the clerk supplied details to all councillors. The Members' Code of Conduct and the Council Complaints Procedure were both reviewed on 1 October 2020, Minute C.282 and revised.
    - Decision Notice 16/2020 was headed 'No Further Action', though the Monitoring Officer did ask for the Clerk and Chairman to review the complaints procedure and the process of complaint hearings to ensure they are followed as required. This had in fact already been done on 1 October 2020, Minute C.282 as previously stated.
    - The complaint to the Information Commissioner alleged that the clerk had improperly withheld information in responding to a Subject Access Request. The clerk's defence was that the information in question comprised that data of a third party, not that of the complainant. The Chair pursued this with the ICO and, following advice received from officials, the complaint was considered at a formal hearing by the council on 4 February 2021, Minute C.359, and was not upheld.

Assertion 4 – Exercise of Public Rights: We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations. In order to warrant a positive response to this assertion the authority needs to have taken the following actions in respect of the previous year's Annual Governance and Accountability Return:

- 1.27 Exercise of public rights. The authority provided for the exercise of public rights set out in Sections 26 and 27 of the Local Audit and Accountability Act 2014. Part 5 of the Accounts and Audit Regulations 2015 requires the RFO to have published, including on the authority's website or other website:
    - Sections 1 and 2 of the Annual Governance and Accountability Return;

- a declaration that the status of the statement of accounts is 'unaudited'; and a statement that sets out details of how public rights can be exercised, as set out in Regulation 15(2)(b), which includes the period for the exercise of public rights. **Evidence:** here is a link to the notice on the council website: http://www.edfparishcouncil.org.uk/Finance.aspx which was uploaded on 22 June 2020. A screen shot of the notice taken when it was uploaded on 22 June 2020 has been supplied to the Internal Auditor at his request.

RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.28 External Auditor's Review — A notice of the conclusion of the external auditor's limited assurance review of the Annual Governance and Accountability Return, together with relevant accompanying information, was published (including on the authority's website or other website) in accordance with the requirements of Regulation 16 the Accounts and Audit Regulations 2015. **Evidence:** this notice was uploaded to the council website on 22 September 2020. Here is a link: http://www.edfparishcouncil.org.uk/On-Line_Library_21861.aspx

  RECOMMENDATION – The council agree with this assertion based on the above evidence.

Assertion 5 – **Risk Management: We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.** In order to warrant a positive response to this assertion, the authority needs to have the following arrangements in place:

- 1.31 Identifying and assessing risks — The authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences. **Evidence:** the council last reviewed and updated its Risk Management Strategy on 1 October 2020, Minute C.283.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.32 Addressing risks — Having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover. **Evidence:** It is acknowledged that there is an action outstanding which it has not yet been possible to complete: The council wants to arrange for online payments to be made in the absence of the clerk (5 March 2020, Minute C.188 Review of Financial Regulations).
  RECOMMENDATION – The council recognises that work needs to be done here and intend to pursue this actively once Coronavirus restrictions have been lifted.

Assertion 6 — Internal Audit: We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

In order to warrant a positive response to this assertion, the authority needs to have taken the following actions:

- 1.34 Internal audit — The authority needs to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account internal auditing guidance for smaller authorities. **Evidence:** each year, the council considers the list of actions proposed to be taken by its Internal Auditor to maintain an effective system of control. In 2020/21 this was done on 4 June 2020, Minute C.234.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

- 1.35 Provision of information — The authority needs to ensure it has taken all necessary steps to facilitate the work of those conducting the internal audit, including making available all relevant documents and records and supplying any information or explanations required. **Evidence:** the council has routinely facilitated the work of its Internal Auditors and this has been acknowledged by them.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

Assertion 7 – Reports from auditors: We took appropriate action on all matters raised in reports from internal and external audit. To warrant a positive response to this assertion, the authority needs to have considered all matters brought to its attention by its external auditor and internal audit and taken corrective action as appropriate. **Evidence:** no matters were raised by the Internal Auditor or the External Auditor in 2020. No matters have been raised by the Internal Auditor in 2021.
RECOMMENDATION – The council agree with this assertion based on the above evidence.

Assertion 8 — Significant events: We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements. To warrant a positive response to this assertion, the authority needs to have taken the following actions where necessary:

- 1.39. Significant events — The authority needs to have considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the authority's finances. If any such events are identified, the authority then needs to determine whether the financial consequences need to be reflected in the statement of accounts. **Evidence:** There have been no events during the year with potential negative consequences for the council's finances.
  RECOMMENDATION – The council agree with this assertion based on the above evidence.

Assertion 9 — Trust Funds: In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit. Where a local

authority acts as a sole managing trustee for a trust or trusts, to warrant a positive response to this assertion the authority needs to have made sure that it has discharged all of its responsibilities with regard to the trust's finances. This needs to include financial reporting and, if required, independent examination or audit. This is notwithstanding the fact that the financial transactions of the trust do not form part of the authority's accounts and are therefore not included in the figures reported on Section 2 of its Annual Governance and Accountability Return. **Evidence:** The council has no trust funds.

RECOMMENDATION – The council agree with this assertion based on the above evidence.

Annual Government Statement approval process: The authority needs to approve the annual governance statement by resolution of members of the authority meeting as a whole, in advance of the authority approving the accounting statements in Section 2 of the Annual Governance and Accountability Return. The Chair of the meeting and the Clerk need to sign and date the annual governance statement and a minute reference entered.

RECOMMENDATION – The council agree that the Chair and Clerk should sign the Annual Governance Statement on behalf of the council.

Annex A

Section 3 – External Auditor Report and Certificate 2019/20

In respect of **EAST DEAN AND FRISTON PARISH COUNCIL – ES0029**

1 Respective responsibilities of the body and the auditor

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 2020; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work **does not** constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and **does not** provide the same level of assurance that such an audit would do.

2 External auditor report 2019/20

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.

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

None.

3 External auditor certificate 2019/20

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 2020.

External Auditor Name

PKF LITTLEJOHN LLP

External Auditor Signature SIGNATURE REQUIRED Date 11/09/2020

* Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews for 2019/20 in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)

Annex B

Section 1 – Annual Governance Statement 2020/21

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2021, that:

	Agreed			
	Yes	No*		'Yes' means that this authority:
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.				*prepared its accounting statements in accordance with the Accounts and Audit Regulations.*
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.				*made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.*
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.				*has only done what it has the legal power to do and has complied with Proper Practices in doing so.*
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.				*during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.*
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.				*considered and documented the financial and other risks it faces and dealt with them properly.*
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.				*arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.*
7. We took appropriate action on all matters raised in reports from internal and external audit.				*responded to matters brought to its attention by internal and external audit.*
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.				*disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.*
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A	*has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.*

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman SIGNATURE REQUIRED

Clerk SIGNATURE REQUIRED

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS