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Our ref CO0069
Your ref SB05160

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Dear Members

Lewannick Parish Council

Statutory recommendation: failure to respond to external auditor in relation to queries regarding the Annual Governance & Accountability Return (AGAR) for the year ending 31 March 2018 and the external auditor report for 2016/17

The Local Audit and Accountability Act 2014 (the Act) requires that the accounts of smaller authorities are made up each year to 31 March and then reviewed by the appointed auditor. We are the appointed auditors to Lewannick Parish Council (LPC) for the years 2017/18 to 2021/22.

2016/17 External Auditor Report and Certificate

We have received several reports notifying us that the 2016/17 external auditor report was falsified by LPC prior to its publication on LPC's website. The 'except for' and 'other' matters reported by the then appointed auditor, Grant Thornton, had been blanked out on the published version, thereby presenting the false impression that a clean report had been issued. Grant Thornton's additional report referred to on the external auditor report was not published. We have also been contacted by Grant Thornton in this regard. Misconduct in public office is an offence and whilst no financial gain or loss would likely result from these actions, following the receipt of legal advice, we contacted Devon and Cornwall Police who confirmed in December 2018 that they did not intend to investigate the matter as a criminal offence.

2017/18 Objections

We have received several potential objections to the 2017/18 AGAR from local electors in respect of which we have sought further information from LPC together with LPC's response to those potential objections.

Since the beginning of January 2019, we have repeatedly tried to contact LPC via its Clerk and Chairman about all the matters that have been drawn to our attention, emphasising on all occasions the seriousness of the issues, but have yet to receive an adequate response. The only response to date is a brief email from the Chairman on 21 February 2019. There has been no response to our later emails, not even to acknowledge them, until today when we received notice that the matters are to be discussed later in the month. The correct 2016/17 external auditor report was published in March 2019; however, none of the

information requested in respect of either the circumstances giving rise to the falsification of the 2016/17 external auditor report or the potential objections has been provided to us.

As a result of LPC's failure to respond to our queries in respect of these serious matters, we have significant concerns over the governance of LPC and we are issuing a statutory recommendation under Schedule 7 of the Act:

- **LPC should respond to the external auditor queries as a matter of urgency.**

Please ensure that the following requirements are also met:

- Schedule 7 of the Act requires LPC to consider the recommendation at a meeting to be held within one month of the date of this letter. At that meeting LPC must decide whether the recommendation is to be accepted, and what, if any, action to take in response to it; and
- Publicity for the meeting must also be in accordance with Schedule 7 of the Act.

LPC should contact us within 7 days of the date of this letter to inform us that it has received the recommendation.

LPC should also note that, as a result of receiving this statutory recommendation, LPC will not be eligible to certify itself as exempt from limited assurance review in 2018-19 (if it would otherwise be eligible), as it will have failed one of the qualifying requirements set out in Regulation 9(3) of The Local Audit (Smaller Authorities) Regulations 2015. LPC is also no longer eligible to certify itself as exempt from limited assurance review in 2017-18, as it has failed one of the qualifying requirements set out in Regulation 9(3) of The Local Audit (Smaller Authorities) Regulations 2015; as a result, LPC must now submit the following documentation for limited assurance review:

- 2017/18 AGAR Sections 1, 2 and Annual Internal Audit Report;
- Confirmation of the dates used for the public rights period – we are aware that these had to be amended during the period as they were initially incorrectly published;
- Bank reconciliation as at 31/3/18;
- Explanation of variances over 15% between 2016/17 and 2017/18 in Section 2, Boxes 2/3/4/5/6/9/10;
- Breakdown of reserves shown in Box 7;
- Reconciliation between Boxes 7 and 8, if applicable;
- Evidence of action taken to address the 2016/17 external auditor report;
- Detailed 2017/18 internal audit report (if one was received).

This letter gives rise to additional fees payable by LPC on conclusion of the review process, for the additional work involved in investigating the falsification of the 2016/17 external auditor report and in chasing for responses from LPC and the production of the statutory recommendation letter.

Yours faithfully



PKF Littlejohn LLP

cc Clerk – Lewannick Parish Council, Secretary of State, Smaller Authorities' Audit Appointments Ltd, National Audit Office, Monitoring Officer of local authority