

# Local Councils, Internal Drainage Boards and other Smaller Authorities in England

## Annual Governance and Accountability Return 2017/18 Part 3

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### To be completed by:

- **all smaller authorities\*** where either the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; and
- **any other smaller authorities that either:**
  - are unable to certify themselves as exempt; or
  - have requested a limited assurance review.

### Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2017/18

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Part 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with Proper Practices.
2. **The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:**
  - The **annual internal audit report** is completed by the authority's internal auditor.
  - **Sections 1 and 2** are to be completed and approved by the authority.
  - **Section 3** is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved **before 2 July 2018**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or requesting a limited assurance review, **must** send to the external auditor:
  - the Annual Governance and Accountability Return Sections 1, 2 and 3, together with
  - a bank reconciliation as at 31 March 2018
  - an explanation of any significant year on year variances in the accounting statements
  - your notification of the commencement date of the period for the exercise of public rights
  - Annual Internal Audit Report 2017/18

Unless requested, do not send any original records to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed and is able to give an opinion on the limited assurance review, the Annual Governance and Accountability Return including **Section 3 – External Auditor Report and Certificate** will be returned to the authority.

### Publication Requirements

Smaller authorities with either income or expenditure exceeding £25,000 **must** publish on a public website, under the Accounts and Audit Regulations 2015, the Annual Governance and Accountability Return:

- **Section 1 – Annual Governance Statement 2017/18, page 4**
- **Section 2 – Accounting Statements 2017/18, page 5**
- **Section 3 – The External Auditor Report and Certificate 2017/18, page 6**
- Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

*\*for a complete list of bodies that may be smaller authorities refer to schedule 2 to Local Audit and Accountability Act 2014.*



## Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2017/18

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this Annual Governance and Accountability Return. *Proper Practices* are found in the *Practitioners' Guide\** which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the Annual Governance and Accountability Return is complete (i.e. no empty highlighted boxes), and is properly signed and dated. Avoid making amendments to the completed Annual Governance and Accountability Return. Any amendments must be approved by the authority, properly initialled and accompanied by an explanation. If the Annual Governance and Accountability Return contains unapproved or unexplained amendments, it may be returned and additional costs will be incurred.
- The authority **should** receive and note the annual internal audit report prior to approving the annual governance statement and before approving the accounts.
- Use the checklist provided below to review the Annual Governance and Accountability Return for completeness before sending it to the external auditor.
- Do not send the external auditor any information not specifically requested. However, you **must** inform your external auditor about any change of Clerk, Responsible Finance Officer or Chairman, and provide relevant email addresses and telephone numbers.
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the Annual Governance and Accountability Return covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (**Section 2, page 5**). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide\**.
- Explain fully significant variances in the accounting statements on **page 5**. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the explanation.
- If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or variances are not fully explained, additional costs will be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2017) equals the balance brought forward in the current year (Box 1 of 2018).
- Please enter the authority's name **only** in Section 3 on Page 6. **Do not complete the remainder of that section**, which is reserved for the external auditor.
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the commencement date for the exercise of public rights. From the commencement date for a single period of 30 consecutive working days, the accounts and accounting records can be inspected. Whatever period the RFO sets it **must** include a common inspection period – during which the accounts and accounting records of all smaller authorities must be available for public inspection – of the first ten working days of July.
- The authority **must** publish the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor.

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?	✓	
	Has all additional information requested, including <b>the dates set for the period for the exercise of public rights</b> , been provided for the external auditor?	✓	
Internal Audit Report	Have all highlighted boxes have been completed by the internal auditor and explanations provided?		
Section 1	For any statement to which the response is 'no', is an explanation provided?	N/A	
Section 2	Has the authority's approval of the accounting statements been confirmed by the signature of the Chairman of the approval meeting?	✓	
	Has an explanation of significant variations from last year to this year been provided?	✓	
	The bank reconciliation as at 31 March 2018 is agreed to Box 8?	✓	
	Has an explanation of any difference between Box 7 and Box 8 been provided?		✓
Sections 1 and 2	Trust funds – have all disclosures been made if the authority is a sole managing trustee? <b>NB:</b> do not send trust accounting statements unless requested or instructed.		✓

\*More guidance on completing this annual return is available in **Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices**, which can be downloaded from [www.nalc.gov.uk](http://www.nalc.gov.uk) or from [www.slcc.co.uk](http://www.slcc.co.uk) or from [www.ada.org.uk](http://www.ada.org.uk)



# Annual Internal Audit Report 2017/18

## Earnley Parish Council

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2018.

The internal audit for 2017/18 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓ None
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
<b>K. (For local councils only)</b>			
Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

23/04/2018

Name of person who carried out the internal audit

MARK MULDERAY BA (Hons) FCCA CTA

Signature of person who carried out the internal audit

[Redacted Signature]

Date

23/04/2018

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



## Section 1 – Annual Governance Statement 2017/18

We acknowledge as the members of:

Earnley Parish Council

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 2018, that:

	Agreed		‘Yes’ means that this authority:
	Yes	No*	
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
			✓

\*Please provide explanations to the external auditor on a separate sheet for each ‘No’ response. Describe how the authority will address the weaknesses identified.

This Annual Governance Statement is approved by this authority and recorded as minute reference:

64-18 (h)

dated

24/05/18

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

Chairman

Clerk

### Other information required by the Transparency Codes (not part of Annual Governance Statement)

Authority web address

www.earnleypc.org

AUTHORITY WEBSITE ADDRESS



## Section 2 – Accounting Statements 2017/18 for

### Earnley Parish Council

	Year ending		Notes and guidance
	31 March 2017 £	31 March 2018 £	
1. Balances brought forward	10,704	10,483	<i>Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.</i>
2. (+) Precept or Rates and Levies	14,810	15,209	<i>Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.</i>
3. (+) Total other receipts	2,477	44,605	<i>Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.</i>
4. (-) Staff costs	8,340	8,994	<i>Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.</i>
5. (-) Loan interest/capital repayments	568	568	<i>Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).</i>
6. (-) All other payments	8,600	7,260	<i>Total expenditure or payments as recorded in the cash-book less staff costs (line 4) and loan interest/capital repayments (line 5).</i>
7. (=) Balances carried forward	10,483	53,475	<i>Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).</i>
8. Total value of cash and short term investments	10,483	53,475	<i>The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – <b>To agree with bank reconciliation.</b></i>
9. Total fixed assets plus long term investments and assets	RESTATED 2,861	2,988	<i>The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.</i>
10. Total borrowings	3,629	3,148	<i>The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).</i>
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	<i>The Council acts as sole trustee for and is responsible for managing Trust funds or assets.</i>
		✓	<i>N.B. The figures in the accounting statements above do not include any Trust transactions.</i>

I certify that for the year ended 31 March 2018 the Accounting Statements in this Annual Governance and Accountability Return present fairly the financial position of this authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer

[Redacted Signature]

Date 20/04/2018

I confirm that these Accounting Statements were approved by this authority on this date:

24/5/2018

and recorded as minute reference:

64.18(i)

Signed by Chairman of the meeting where approval of the Accounting Statements is given

[Redacted Signature]



## SECTION 2 STATEMENT OF ACCOUNTS

### **EARNLEY PARISH COUNCIL**

Financial year ending on 31 March 2018

Prepared by                      Mrs Louise Chater Clerk/RFO

Dated 20<sup>th</sup> April 2018

Approved by                      Chairman to the Council

Dated 24/5/2018

	31-Mar-17	31-Mar-18	Variance £	Variance %	Explanation
Balance Brought Forward	10704	10483	-221	-2%	
Annual Precept	14810	15209	399	3%	
Total Other Receipts	2477	44605	42,128	1701%	Flood Alleviation Grant (41,873.68)
Staff Costs	8340	8994	654	8%	
Loan interest/capital repayment	568	568	0	0%	
Total Other Payments	8600	7260	-1,340	-16%	Bus Shelter replacement project 808.00 not repeated
Balance Carried Forward	10483	53475	42,992	410%	Flood Alleviation Grant (41,873.68)
Total Cash and Short Term Investments	10483	53475	42,992	410%	
Total Fixed Assets and Long Term Assets	2861	2988	127	4%	Previous Yr restated as required to include replacement bus shelter previous value 750 new value 970.
Total Borrowing	3629	3148	-480	-15%	Bookers Lane Flood Alleviation Scheme Loan
Disclosure Note Trust Funds (including charitable)	NO	NO	-		
Explanation for 'high' reserves	53475 of which 7740 is general reserves and 45735 is assigned as per attached schedule				

## BANK & PETTY CASH RECONCILIATION

### EARNLEY PARISH COUNCIL

Financial year ending on 31 March 2018

Prepared by [REDACTED] Mrs Louise Chater Clerk/RFO

Dated 20 April 2018

Approved by [REDACTED] Chairman to the Council

Dated 24/5/2018

#### **Balance per bank statements as at 31 March 2018** **Parish Council**

	£	£
Unity Trust Bank	54216.34	
Alto Card (petty Cash)	0.00	
		<hr/> 54216.34

less: any unpresented payments as at 31 March 2018

Mrs Louise Chater	449.76
HMRC	152.40
West Sussex County Council	138.81

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740.97

Add: any monies not cleared  
none

#### **Net Bank Balance as at 31 March 2018**

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53475.37

The net balance reconciles to the cash book for the year, as follows

£

#### **Cash Book**

Opening Balance	10482.98
Add: Receipts in the year	59814.18
Less: Alto Card Transfer (Closed)	0.00
Less: the payments in the year	16821.79
<b>Closing balance per cash book &amp; Alto Card as at 31 March 2018</b>	<hr/> <hr/> 53475.37

**RESERVES**

**EARNLEY PARISH COUNCIL**

Financial year ending on 31 March 2018

Prepared by [REDACTED] Mrs Louise Chater Clerk/RFO

Approved by [REDACTED] Chairman to the Council

Dated 20<sup>th</sup> April 2018

Dated 24/5/2018

Balance per bank statements as at 31 March 2018

Uncleared items

Cash Book Balance

54,216  
- 741  
53,475

General Reserves

Office Equipment

Election Reserves

Noticeboard Replacement

Bus Shelter Maintenance

Road Signs

Flood Alleviation

Street Lighting

Parish Plan Project Reserves

**Total Cash and Investments**

7,740  
176  
961  
2,140  
450  
250  
40,259  
100  
1,400  
53,475