

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

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.

are to be completed and approved by the authority.

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

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.

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:

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*² 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*².
- 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 the dates set for the period for the exercise of public rights, 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?	✓	
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? NB: do not send trust accounting statements unless requested or instructed.	N/A	

²More 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.naic.gov.uk or from www.slcc.co.uk or from www.ada.org.uk

ESSINGTON 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 in the following		
	Yes	No	Not Applicable
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.	✓		
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.	✓		
K. (For local councils only)			
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

02/05/18

Name of person who carried out the internal audit

CHRISTINE HEELIS

Signature of person who carried out the internal audit

C. Heelis

Date

02/05/18

* Please see attached report.

*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 2 – Accounting Statements 2017/18 for

ESSINGTON PARISH COUNCIL

	Year ending		Notes and guidance
	31 March 2017	31 March 2018	
1. Balances brought forward	00015	54831	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.
2. (+) Precept or Rates and Levies	79568	80523	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	198121	189305	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	110378	117597	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.
5. (-) Loan interest/capital repayments	NIL	NIL	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	130495	160697	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	54831	46365	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total value of cash and short term investments	51866	32464	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets	923970	928970	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.
10. Total borrowings	NIL	NIL	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council acts as sole trustee for and is responsible for managing Trust funds or assets.
		✓ N/A	N.B. The figures in the accounting statements above do not include any Trust transactions.

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

C E Gracey

Date

02/07/2018

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

02/07/2018

and recorded as minute reference:

EP 764

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

Section 3 – External Auditor Report and Certificate 2017/18

In respect of

Essington Parish Council

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 2018; 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 2017/18

Except for the matters reported below on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return 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.

See separate report

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

See separate report

3 External auditor certificate 2017/18

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 2018.

We issued our audit report together with a public interest report on 29 January 2019. We withheld our certificate pending the Council's consideration of the reports which has now been concluded. No matters have come to our attention between issuing our reports and this resolution that merit additional reporting so we are now issuing our certificate discharging our duties for 2017-18.

External Auditor Name

Mazars LLP, Durham, DH1 5TS

External Auditor Signature

Mazars LLP

Date

1 March 2019

*Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews for 2017/18 in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)

1. INTRODUCTION

This page is part of Section 3 – External auditor report 2017/18

The following matters have been raised to draw items to the attention of Essington Parish Council. These matters came to the attention of Mazars LLP during the review of the Annual Governance and Accountability Report (AGAR) for the year ended 31 March 2018. This report must be presented alongside the AGAR to a full meeting of the smaller authority for review.

The review of the annual return may not disclose all shortcomings of the systems as some matters may not have come to the attention of the auditor. For this reason, the matters raised may not be the only ones that exist.

Except for the matters reported below on the basis of our review of the annual return, in our opinion the information in the annual return is in accordance with proper practices and no other matters have come to our attention giving cause for concern that relevant legislative and regulatory requirements have not been met.

The Council has not approved and published the Annual Governance and Accountability Return and started the period of public rights in accordance with the timetable in the Accounts and Audit (England) Regulations 2015. The regulations require these processes to have been completed by the first working day of July. For 2017/18 this was not done until 02/07/2018. For 2018/19 the Council needs to put arrangements in place to ensure that it can discharge its responsibilities in line with the statutory timetable.

The Internal Audit report identified some significant weaknesses in internal control during 2017/18:

- A/ Tea-room income was not reconciled to till rolls;
- B/ VAT was not accounted for correctly (we have issued a public interest report on this); and
- C/ Financial Regulations were not fully complied with.

However, the Council answered yes to assertion 2 of the Annual Governance Statement. The Council should ensure that the recommendations in the internal audit report are implemented and consider answering no to assertion 2 of the 2018/19 Annual Governance Statement if these weaknesses remain for a significant part of the 2018/19 financial year.

In October 2017 cash valuing £2,373 was stolen from the Council's safe. Although security has since been tightened and the full amount was recovered from the insurance company there was excessive cash held overnight at the time of the break-in. This is an additional reason why the Council should have answered no to assertion 2 in its Annual Governance Statement. The Council should ensure that Internal Audit review and test the improved arrangements for security during 2018/19.

On three occasions the Council reimbursed the Chair for expenses he had incurred when there was no time to follow official ordering procedures. One of these payments exceeded the limit in financial regulations for emergency payments without an official order and the regulations only permit the Clerk to incur such expenditure, not the Chair. This is an additional reason why the Council should have answered no to assertion 2 in its Annual Governance Statement. In future, where there are exceptional reasons why compliance with financial regulations is not practical the issues should be discussed at the next Council meeting and taken into account when completing the Annual Governance Statement.

The Council agreed to settle a disputed debt using mediation and was bound by the decision to write off £337. However, financial regulations require a council resolution to write off debt so the Council should have delegated authority to the Chair to settle the debt through mediation. This is an additional reason why the Council should have answered no to assertion 2 in the Annual Governance Statement. In future, the Council should explicitly delegate authority to write-off debts before agreeing to resolve debts through mediation.

The financial information required by the Transparency Code was not displayed on the website but the Council has answered 'yes' to assertion 3 on the Annual Governance Statement, indicating it took reasonable steps to comply with laws and regulations. We recommend that the Council ensures that the required information is published on the website in the future.

The Council has stated in the Annual Governance Statement, assertion 5, that it has carried out a risk assessment and taken appropriate action to manage those risks. However, no financial risk review has been carried out during 2017/18. The Council needs to ensure it carries out a risk assessment for 2018/19.

The accounting statements at Section 2 overstate the Council's other receipts at Box 3 and Reserves at Box 7 because they include a debtor for a VAT claim of £10,018, which is inappropriate given the lack of VAT registration referred to above. In future, the Council should ensure that debtors are only included in the accounting statements where appropriate.



Section 3 – External auditor report 2017/18 (continued)

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

We were required to return the Annual Governance and Accountability Return to enable the Council to correct the following:

- Fixed assets at Box 9 was initially incorrect because the entry was not adjusted in accordance with the asset register.
- Box 8 in section 2 of the AGAR was initially incorrect due to a transposition error on the AGAR.

In future the Council should ensure that the Annual Governance and Accountability Return is accurate and complete.

In undertaking the review of the 2017/2018 Annual Governance and Accountability Return it came to our attention that in 2018 the Council has not met the requirements of the 2015 Regulations to provide electors with a period of 30 working days, including the first 10 working days of July, to inspect the accounts. The Council should ensure that in 2018/2019 they comply with the Regulations and respond no to the relevant assertion in its Annual Governance Statement.

No other matters came to our attention.

For and on behalf of Mazars LLP

Date: 29 January 2019