

**Date:** 1<sup>st</sup> June 2017

**Title:** Report Item 6 – Annual Return 2017

**By:** K Larkin (Parish Clerk/RFO)

**Purpose:** To report on the Annual Return 2017

**Recommendations:**

- a) To review and confirm the effectiveness of the council's Internal Audit regime between 1 April 2016 and 31 March 2017
- b) To consider and approve the Annual Governance Statements 2017
- c) To consider and approve the Annual Accounting Statements 2017, with supporting end of year bank reconciliation and Explanation of Variances
- d) To approve the suggested period from Monday 12 June to Friday 21 July for the exercise of electors' rights in relation to the Unaudited Annual Return

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1. In May 2016, the council considered the Internal Auditor's report for 2015/16, prepared according to the Plan appended to this report (see pages 3 and 4). The council agreed to implement all the auditor's recommendations. In particular, the Risk Management schedule was completely overhauled and a new Communications policy was adopted. All other tasks have also been completed, with the exception of obtaining a revised valuation of the War Memorial for insurance purposes. Refurbishment work on the War Memorial has recently been completed, and the contractor has promised to supply a valuation, but as yet this has not been received. Another task which was completed for 2015/16 but may recur in 2016/17, is the collection of outstanding maintenance covenant payments on two of the shop units in Downlands Way. One of the properties is changing ownership (but not leaseholder) and a new Deed of Covenant has been drawn up committing the new owner to making the covenant payments. However, the same leaseholder holds the lease on a second unit, and the situation is being monitored (the current covenant year does not end until 31 August 2017).
  2. The External Auditor's report for the year 2015/16 stated that the Annual Governance statements should have been approved by the parish council before the Annual Accounting statements, even though the two were considered at the same meeting. This applied in almost all parishes, and the 2017 Annual Return form has been redesigned so that the Governance section appears first. Other than that, the External Auditor simply noted the Internal Auditor's report and endorsed its recommendations.
  3. The council claimed the General Power of Competence in May 2015 and remains qualified to use it. During the year under review, the full council has maintained its financial controls and has continued to see and approve the monthly schedules of payments and receipts. The

four bank signatories (the Chair, Vice Chair, Cllr Keller and Cllr Sargent) have continued to see and approve the monthly bank reconciliations, which have been supplied to them with copies of the Cash Book and bank statements. In addition, the full council has received quarterly budget reports comparing actual income and expenditure with budgeted income and expenditure, to facilitate forward planning.

4. A copy of the draft Annual Governance statements 2017 is attached (page 5). The council is able to make all the affirmations required to ensure it has sound systems of internal control, including the preparation of accounting statements.
5. A copy of the draft Annual Accounting statements 2017 is attached (page 6), together with the end of year bank reconciliation (page 7) and the Explanation of Variances (page 8). Members will recall that the draft Final Accounts were considered and approved at the parish council meeting on 5<sup>th</sup> May 2017.
6. A copy of the fixed asset register as at 31 March 2017 is also attached (page 9)
7. The electorate must be informed of a single period of 30 working days during which public rights may be exercised in relation to the Annual Return. This period must include the first 10 working days of July. The Internal Auditor will make his inspection visit on 5<sup>th</sup> June, and it is suggested that the notice period is set to commence on 12 June and end on 21 July 2017.

## INTERNAL AUDIT PLAN – REVIEW of RISK

### Insurance: Buildings

Other Council Assets

Public Liability

Employers Liability

Hirers Liability/Indemnity

Consequential Loss: a) loss of Revenue – b) Business Interruption

Officials Indemnity (Zurich include under Public Liability) (Hiscox > in Policy Doc)

Personal Accident (Allianz/Aon: Councillors > 85 check cover) (Aviva: no cover > 90)

(Zurich: reduced cover > 90) (Hiscox – cover to 90)

Fidelity Guarantee (Member/Employee Dishonesty) - Aviva & Zurich standard £100k

Legal Expenses

Libel & Slander

### Security & Maintenance: Quotes & Tenders

Contractors' Targets & Performance monitoring

Book-keeping information backed-up and stored safely (including Passwords)

### Banking/Finance: Signatories on Bank Accounts - Parish Councils can now opt for a single signature

Credit References taken on Signatories by Bank

Credit References taken by Council on Signatories (NALC Fin Regs 5.1) – needed?

Cheque stubs or invoice summaries signed

Leasing/HP/Borrowing. PWLB Balances on-line

If non-PWLB loan, provide evidence of loan outstanding

Electronic/Internet Banking - Parish Councils can now opt for a single Password

Credit/Debit Card facilities - Parish Councils can have Cards - single signature

### Health & Safety - Emergency spending limits delegated to Clerk - Policy in writing if > 5 staff

### Legal Powers – Payments minuted with details of which Local Government Act (LGA) provides authorisation (may also be covered in Council's Financial Regulations)

- LGAs not needed if General Power of Competence held (Clerk with CiLCA – 2/3 elected Councillors)
- Payments under LGA 1972 - S137 (list relevant Para) 2014/15=£7.20 per Elector (15/16 = £7.36)

### Register of Councillors' Interests (Public access)

### Meetings: Agenda/Minutes – Personal Interest

- Prejudicial Interest > Public Perception Significant Personal Interest

### Local Government Transparency Code: Publishing Requirements from 4/15 a) Exp/Income < £25k pa

b) T/o £25k - £200k (no LGTC requirements), c) T/o £200k - £6.5m

### Internal Controls: Effectiveness reviewed annually in full Council & minuted (GALCP 2014 Page 50)

#### Procedure documented:

- re Complaints/Enquiries: Code of Practice – a) Councillors/Staff – b) Parishioners

- re Responses to Consultation Requests

- re handling of correspondence, circulation, responses, filing, retention

Procedure (documentation not needed) for monitoring Grants or Loans made or received

Procedure (documentation not needed) for Recording/Monitoring Councillors' Gifts & Hospitality received

Employees' Code of Conduct

### Outstanding Litigation

Freedom of Information Act 2000 – Core Model or Bespoke Version adopted. Declaration sent & acknowledged. Publication Scheme completed and minuted. Complaints Procedure for ICO.

Data Protection Act: Personal Data (not employees) held electronically - register at [www.ico.gov.uk](http://www.ico.gov.uk)

Risk Assessment: Risks assessed as Low/Medium/High or Severity/Likelihood. Monitoring Regime

Internal Audit: Effectiveness of Internal Auditor checked. Appointment Minuted.

## INTERNAL AUDIT PLAN – REVIEW of BOOK-KEEPING

Current number of Electors:

Current number of Councillors:

Rules: Internal Financial Regulations (Code of Conduct – Financials) – Annual Review  
Standing Orders (Code of Conduct – Procedural) – Annual Review

Receipts & Payments Accounting – (If R or P <£200k for the year or for one of two preceding years) – or  
Income & Expenditure Accounting – (If R or P >£200k for 3 consecutive years) – or  
Income & Expenditure Accounting – (If I or E >£200k for 3 consecutive years) – or  
UK GAAP Accounting Compliance – (If Turnover >£6.5m for 3 consecutive years)

Cash Book or Ledgers

Petty Cash Regime

Invoices re Income – Transaction Chase (Invoice → Cash Book → Bank)

– Precept (Invoice → Cash Book → Bank) Support Grants listed in A/Return Box 3

Invoices re Outgoings – Transaction Chase (Invoice → Cash Book → Bank)

Aged Debtors & Creditors. Significant variances year-on-year to be reported with the Annual Return  
EU Late Payment Directive: 2011/7/EU – 30 days Settlement of Invoices

VAT Registered/not Registered: Claims under HMRC VAT Notice 749 (Local Authorities) Para 12  
VAT Claim/Return (including Petty Cash Items) – backdated Max 3 years

Contracts of Employment or Letters of Appointment}

Terms & Conditions, Job Description } Annually reviewed – References taken re new Staff

Staff Performance Appraisals (SLCC has template)

Salary Calculations (P11 or equivalent, P35 & P60), Payroll Package

P11D needed if: Salary >£8.5k pa + a) travel expenses > HMRC limits, b) Work from Home Allowance

I/Revenue Return PAYE/NIC – RTI (whenever salaries/wages are paid)

Report to HMRC, even if Payment is below NIC/PAYE limit (name, amount, hours worked, frequency)

Gratuities: cannot be paid, unless a contractual obligation existed prior to 16/01/2012

: report to External Auditor, with amount, calculation, advice from NALC/SLCC, Contract

Annual Return – current and previous year, comments from External & Internal Auditors

Annual Return – Precept in Box 2, Support Grant in Box 3

Annual Return – supporting Accounting Statements to be reviewed by full Council, not Committee

Reasons for Variances year on year to accompany the A/Return:

Littlejohn: if >15% & >£200 – BDO Stoy Hayward: if >10% & >£100

Reasons for movements to/from Zero to accompany the A/Return

Bank Reconciliations checked: a) to A/Return b) during the year c) by a Councillor or Nominee & signed

Reserves – reasons why they exceed 200% of Precept to accompany Annual Return

Precept Budgeting Process > Budget and Variance Analysis, ongoing Monitoring

Register of Assets & Investments (No Depreciation applied)

Term Investments, ie those that change in value – list in Asset Register & Box 9 at cost or proxy value

Assets listed – see GALC 2014: 3.66-3.77: Donations value at Nil

Assets listed – see GA Guide 2016: from 1/04/2016 Basis of Valuation can be changed – restate 3/2016

Assets held by Council as Custodian Trustee listed – but not in Box 9

Trust arrangements : Separate Bank Accounts, Books, Meetings & Minutes re Charity

Only note “yes” on Section 1 of Annual Return if Council is Sole Trustee

Returns to PRS/PPL (1% + VAT)

Minutes of Meetings – final page signed by Chairperson (each page numbered & initialled) – stored safely

Agenda for Meetings not to include “Any Other Business”

Receipts from Asset Disposals > £10k only used for Capital Expenditure or Debt Reduction

Meetings (minimum of 4x pa) not held on Licensed Premises. OK if alcohol is not served at the time

Public Notices re Annual Audit – displayed for required period

Property: Non-Domestic Rating Assessment. Small Business Rate Relief should be applied



## Section 1 – Annual governance statement 2016/17

We acknowledge as the members of:

Enter name of  
smaller authority here:

EAST DEAN & FRISTON PARISH COUNCIL

our responsibility for ensuring that there is a sound system of internal control, including 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 2017, that:

	Agreed		'Yes' means that this smaller 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 smaller authority to conduct its business or on 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 smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has 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 smaller 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	NA
			N/A

This annual governance statement is approved by this smaller authority on:

and recorded as minute reference:

Signed by Chair at meeting where approval is given:

Clerk:

\*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how this smaller authority will address the weaknesses identified.



## Section 2 – Accounting statements 2016/17 for

Enter name of  
smaller authority here:

EAST DEAN & FRISTON PARISH COUNCIL

	Year ending		Notes and guidance
	31 March 2016 £	31 March 2017 £	
1. Balances brought forward	23,750	36,136	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	48,110	48,110	Total amount of precept (or for IDBs, rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	6,589	5,706	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	13,790	13,961	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	—	—	Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).
6. (-) All other payments	28,523	27,934	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	36,136	48,057	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	36,136	48,057	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>
9. Total fixed assets plus long term investments and assets	171,449	tbc	This cell shows the value of all the property the authority owns. It is made up of its fixed assets and long-term investments.
10. Total borrowings	—	—	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.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2017 the accounting statements in this annual return present fairly the financial position of this smaller authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

Date

I confirm that these accounting statements were approved by this smaller authority on:

and recorded as minute reference:

Signed by Chair at meeting where approval is given:



**Bank reconciliation**  
**EAST DEAN and FRISTON PARISH COUNCIL**

Financial year ending 31 March 2017

For the period from 01 April 2016 to 31 March 2017

Prepared by KJA Larkin, Clerk/RFO  
31/03/2017

Approved by ..... Chairman/Vice Chairman/Authorised signatory  
06/04/2017

**Balance per bank statements as at 31 March 2017:**

	£	£
Current account	33,784.03	
Reserve account tbc	14,268.88	
Interest on old closed account	4.38	
		48,057.29

Less: payments pending as at 31 March 2017:

None

Net bank balance as at 31 March 2017: 48,057.29

**The net balance reconciles to the Cash Book (Receipts and Payments account) for the year as follows:**

**CASH BOOK**

Opening balance 01 April 2016	36,136.37
Add receipts	53,815.61
Less payments	(41,894.69)

**Closing balance per cash book as at 31 March 2017: 48,057.29**





## Explanation of variances – pro forma

### East Dean And Friston Parish Council

The 'Practitioners' Guide' provides guidance on explaining significant variances. **Please provide full explanations, including numerical values**, for the following:

- variances of more than 15% between totals for individual boxes (except variances of less than £200);
- if the total reserves (Box 7) figure is more than twice the annual precept value (Box 2).

Section 2	2015/16 £	2016/17 £	Variance £	Variance %	Detailed explanation of variance (with amounts £)
<b>Box 2</b> Precept or Rates and Levies	48,110	48,110	—	—	
<b>Box 3</b> Total other receipts	6,589	5,706	£883	-13%	
<b>Box 4</b> Staff costs	13,790	13,961	£171	+1%	
<b>Box 5</b> Loan interest/ capital repayments	—	—	—	—	
<b>Box 6</b> All other payments	28,523	27,934	£589	-2%	
<b>Box 9</b> Total fixed assets & long term investments & assets	171,449	tbc	tbc	tbc	
<b>Box 10</b> Total borrowings	—	—	—	—	
<b>Explanation for 'high' reserves</b>	Box 7 is more than twice Box 2 because ....  N/A				

## FIXED ASSETS REGISTER

MARCH 2017

Item	Date acquired	Location	Cost or value
1x Lenovo laptop	Oct-10	Parish Office	£ 600.00
1x Laser colour printer	Oct-10	Parish Office	£ 426.00
1x external hard drive	Oct-10	Parish Office	£ 49.00
1x Lenovo PC	Oct-10	Parish Office	£ 600.00
1x filing cabinet	2016	Village Hall	£ 145.00
Memorial Recreation Ground	30/05/1958	Title ESX369720	£ 1.00
Pavilion Building	1956	Recreation Ground	£ 44,747.00
Pavilion Contents		Recreation Ground	£ 1,070.00
Friston Green	1972	Friston	£ 1.00
Hard area	1970	Downlands Way By	£ 1.00
Shopping Precinct Car Park	1999	Title SX19884	£ 1.00
Land east of Pean Dean for FP19	1970	Title SX12787	£ 1.00
Land beyond The Link	1943	Title SX 11446	£ 1.00
10' wide for bridleway	1943	Title SX11447	£ 1.00
BR33	1943	Title SX11491	£ 1.00
War Memorial	1950	Village Green	£ 20,000.00
War Memorial Railings and Gate		Village Green	£ 1,605.00
Best Kept Village Sign		Village Green	£ 1.00
Best Kept Village Plaques x 5		Village Green	£ 1.00
Flag Pole	1960	Village Green	£ 312.00
Village sign	1930	Old Village Hall Garden	£ 2,050.00
Flint Bus Shelter	1984	A259 East Dean	£ 8,203.00
Wood Bus Shelter	1992	A259 East Dean	£ 2,810.00
Wood Bus Shelters x 2	1992	A259 Friston	£ 5,286.00
Notice Boards x 3		Downlands Way; VH; Friston	£ 1,540.00
Public seats x 24		Per separate schedule	£ 12,185.00
Gates and fencing		Various	£ 5,005.00
Play area equipment	1959/91/92/05/06	Per separate schedule	£ 44,339.00
Play Area Safety surfacing		Recreation Ground	£ 16,882.00
Play area Fencing and Gates		Recreation Ground	£ 2,906.00
Tennis net and posts	2012	Recreation Ground	£ 294.00
Flags	Various	Village Hall	£ 285.00
Gavel, engraved		Parish Office	£ 100.00
<b>TOTAL</b>			<b>£ 171,449.00</b>