

Local Councils in England

Annual return for the year ended

31 March 2007

Local councils in England (Parish Meetings, Parish and Town Councils) and Joint Committees thereof must complete an annual return summarising their annual activities at the completion of each financial year. Members are responsible for ensuring that financial management is adequate and effective and that the council has a sound system of internal controls.

The annual return on the following pages is made up of five sections. Sections 1 and 2 are to be completed by the person nominated by the council and section 4 by the council's internal audit provider. Section 5 contains guidance on completion. Section 3 will be completed by the external auditor.

Please complete all relevant sections, which are highlighted in green for your convenience. Do not leave any green box blank. Incomplete or incorrect returns may require additional external audit work incurring additional costs charged in accordance with the Commission's approved skill related fee scale.

When sections 1 and 2 have been approved by the council and section 4 is complete, please send the annual return, together with any additional information requested, to your appointed external auditor who will add the certificate and opinion in section 3.

Unless requested, please do not send any original financial records to the external auditor. If required, your auditor will identify and ask for any documents needed for audit.

Please complete this checklist		Done?
All sections	All green boxes have been completed?	✓
	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	✓
Section 1	Council approval confirmed by signature of Chair of meeting approving accounts? NB: Approval of the annual return must be no later than 31 August 2007.	✓
	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2007 agreed to Box 8?	✓
	An explanation of any difference between Box 7 and Box 8 is provided?	✓
Sections 1 and 2	Trust funds – all disclosures made if council is a sole managing trustee? NB: Do not send trust accounts unless requested.	✓
Section 2	For any statement to which the response is 'no', an explanation is provided?	✓
Section 4	All green boxes completed by internal audit and explanations provided?	✓

Audited and certified annual returns will be returned to the council for publication in accordance with the Accounts and Audit Regulations. There is no requirement for councils to publish internal audit's annual report although councils may choose to do so.

Guidance notes and instructions for completion are included at relevant points in the annual return. In the event that further guidance may be required, councils should refer to the NALC/SLCC practitioners' guide (*Governance and Accountability in Local Councils in England and Wales*) or contact NALC through County Associations or SLCC through the helplines set up for this purpose. It should not be necessary for councils to contact the external auditor or the Audit Commission directly for guidance.

Section 1 – Statement of accounts

ENTER NAME HERE

COUNCIL/MEETING

In completing the boxes below please explain any significant variances, including any difference between Box 7 and Box 8, on a separate sheet and send this to the external auditor together with a copy of your bank reconciliation as at 31 March 2007. See page 6 and the *Practitioners' Guide* for further guidance.

	Year ending		Notes and guidance for compilers
	31 March 2006 £	31 March 2007 £	
1 Balances brought forward	87,577	97,918	Total balances and reserves at the beginning of the year as recorded in the council's financial records. Value must agree to Box 7 of previous year.
2 (+) Annual precept	121,635	128,933	Total amount of precept received in the year.
3 (+) Total other receipts	27,761	33,115	Total income or receipts as recorded in the cashbook minus the precept. Includes support, discretionary and revenue grants.
4 (-) Staff costs	34,313	67,801	Total expenditure or payments made to and on behalf of all council employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses.
5 (-) Loan interest/capital repayments	Nil	Nil	Total expenditure or payments of capital and interest made during the year on the council's borrowings (if any).
6 (-) Total other payments	105,042	100,451	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	97,918	91,714	Total balances and reserves at the end of the year. (Must equal (1+2+3) – (4+5+6))
8 Total cash and investments	86,205	76,501	The sum of all current and deposit bank accounts, cash holdings and investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets and long term assets	442,022	482,473	The recorded book value at 31 March of all fixed assets owned by the council and any other long term assets e.g. loans to third parties.
10 Total borrowings	Nil	Nil	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

Trust funds disclosure note – the council acts as sole trustee for and is responsible for managing [a] trust fund[s]/assets. (Readers should note that the figures above do not include any trust transactions.)

YES/NO

I certify that the statement of accounts contained in this annual return presents fairly the financial position of the council and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2007.

Signed by Responsible Financial Officer:


 Date 6/5/2007

I confirm that these accounts were approved by the council and recorded as council minute reference: 6/9/2007 Minute 4

Date 6/5/2007

Signed by Chair of meeting approving council's accounts:


 Date 6/5/2007

Section 2 – Annual governance statement

We acknowledge as the members of **COUNCIL/MEETING** *COUNCIL MEETING* our responsibility for the preparation of the statement of accounts and for the council's internal controls, and confirm, to the best of our knowledge and belief, with respect to the council's statement of accounts for the year ended 31 March 2007 in section 1, that:

	Agreed – Yes or No*	'Yes' means that the council:
1 we have approved the statement of accounts which has been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	<i>YES</i>	prepared its statement of accounts in the way prescribed by law.
2 we have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>YES</i>	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 we have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the council to conduct its business or on its finances.	<i>YES</i>	has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4 we have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>YES</i>	has during the year given all persons interested the opportunity to inspect and ask questions about the council's accounts.
5 we have carried out an assessment of the risks facing the council and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>YES</i>	considered the financial and other risks it faces in the operation of the council and has dealt with them properly.
6 we have maintained throughout the year an adequate and effective system of internal audit of the council's accounting records and control systems and carried out a review of its effectiveness.		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the council and reviewed the impact of this work.
7 we have taken appropriate action on all matters raised in reports from internal and external audit.	<i>YES</i>	has responded to matters brought to its attention by internal and external audit.
8 we have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the council and, where appropriate have included them in the statement of accounts.	<i>YES DISCLOSED AND PROCEEDING NO 158/07</i>	disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.
Trust funds – in our capacity as the sole managing trustee we have discharged our responsibility in relation to the accountability for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	<i>YES, N/A. N/A</i>	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by the council and recorded as council minute reference

Full Council **COUNCIL MINUTE REFERENCE** *Section 4* dated *6/04/2007*

Signed on behalf of **ENGLAND HEATH COUNCIL** **COUNCIL/MEETING**

Signed by: Chair *[Signature]* **SIGNATURE REQUIRED** Date *6/04/2007*

Signed by: Clerk *[Signature]* **SIGNATURE REQUIRED** Date *6/04/2007*

***Note:** Please provide explanations to the external auditor on a **separate sheet** for each 'No' response that has been given; and describe what action is being taken to address the weaknesses identified.

Section 3 – External auditor's certificate and opinion

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2007 of

COLNEY HEATH PARISH COUNCIL/MEETING

Respective responsibilities of the council and the auditor

The council is responsible for the preparation of the accounts in accordance with the requirements of the Accounts and Audit Regulations and for the preparation of an annual return which:

- summarises the council's accounting records for the year ended 31 March 2007; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor's report

Except for the matters reported below on the basis of our review, in our opinion the information contained in the annual return is in accordance with the Audit Commission's requirements and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

1. The Statement of Accounts was not approved on or before 31 August 2007 as required by the Accounts and Audit Regulations 2003, as amended.
2. In the Notice of Appointment of Date for the Exercise of Electors' Rights the notice period given was not 14 days as required by the Accounts and Audit Regulations 2003, as amended. In addition we noted that the date upon which the Electors' could contact the Auditor was before the Inspection period commenced, whereas it should have been the first working day after it finished.
3. As noted in the Internal Auditor's Report, the Council had not undertaken a comprehensive risk assessment covering all risk areas. We would recommend that such a risk assessment is carried out on at least an annual basis.
4. The Council should update its Standing Orders & Financial Regulations to reflect current laws and regulations.
5. In the Statement of Accounts for the year ended 31 March 2006, we have noted that certain staff costs were incorrectly included in Box 6 instead of Box 4. The correct figures should be for Box 4 £56,885 and for Box 6 £82,470.

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

1. The Council's fidelity guarantee insurance cover is considered to be low in view of the levels of income and bank account balances. Based upon the closing bank balances and the level of the annual precept, the level of fidelity guarantee insurance cover should have been approximately £140,000.
2. The Council should ensure that its fixed asset records are reviewed and updated annually. We would further recommend that on the basis of the fixed asset records the insurance cover for all assets should be reviewed to ensure that adequate cover is in place.
3. The Internal Auditor has made many recommendations in relation to the accounting and general records of the Council. Many of these have now been implemented but the Council should ensure that good controls are maintained.
4. In the Statement of Accounts, the statement relating to Trust Funds has been left blank, however, the Council has confirmed that this should have been answered as 'No'.
5. In the Annual Governance Statement, point 6 has been left blank, however, we have confirmed with the Council that this should have been answered as 'Yes'.

External auditor's signature

Lubbock Pine

External auditor's name

LUBBOCK PINE

Date

29/4/07

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission's publication entitled *Statement of Responsibilities of Auditors and of Audited Bodies*.

Section 4 – Annual internal audit report to

ENTER NAME HERE COUNCIL HEATH Parent

COUNCIL/MEETING

The council's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2007.

The internal audit has been carried out in accordance with the council'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, opposite, are the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the council.

	Agreed? Please choose from one of the following Yes/No*/Not covered**
A Appropriate books of account have been properly kept throughout the year.	Yes
B The council's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	Yes
C The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	No: planned for 2007/08
D The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Yes
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Yes
F Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	No. To be sorted in 2007/08
G Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	Yes
H Asset and investments registers were complete and accurate and properly maintained.	No.
I Periodic and year-end bank account reconciliations were properly carried out.	Yes
J Year-end accounts were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with cash book, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded.	No

For any other risk areas identified by the council (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit:

S J Pollard for Auditing Solutions Ltd

Signature of person who carried out the internal audit:

SIGNATURE REQUIRED

Date:

17/7/2007

***Note:** 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, internal audit must explain why not (add separate sheets if needed).

Section 5 – Guidance notes on completing the 2007 annual return

- 1 Please make sure that your annual return is complete (i.e. no empty green boxes), properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are approved by the council, properly initialled and an explanation for them is provided to the auditor. Annual returns containing unapproved and/or unexplained amendments will be returned unaudited.
- 2 Use the checklist provided on page 1. Use a second pair of eyes, perhaps internal audit or the Chair just before he or she signs it, to review your annual return for completeness before sending it off to the auditor.
- 3 Make sure that the copy of the bank reconciliation which you send to your auditor with the annual return covers **all** your bank accounts. If your council holds any investments, please note their value on the bank reconciliation. The auditor should be able to agree your bank reconciliation to Box 8 on the Statement of Accounts. **You must provide an explanation for any difference between Box 7 and Box 8.** More help on bank reconciliations is available in the *Practitioners' Guide**.
- 4 Please **explain fully** significant variances in the statement of accounts. Do not just send in a copy of your detailed accounts instead of this explanation. The auditor wants to know that **you** understand the reasons for the change. Please include a relevant analysis to support your explanation. There are a number of examples provided in the *Practitioners' Guide** to assist you.
- 5 Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful. If the auditor has to review unsolicited information, this will take additional time and may incur additional cost for which the auditor is entitled to charge.
- 6 Please make sure that your statement of accounts adds up! Also please ensure that the balance carried forward from the previous year (Box 7 of 2006) equals the balance brought forward in the current year (Box 1 of 2007).
- 7 **Do not complete section 3.** This section is reserved for the external auditor who will complete it at the conclusion of their audit.
- 8 Use the *Practitioners' Guide** for guidance. This publication is regularly updated and contains everything you should need to prepare successfully for your financial year-end and the subsequent statutory audit. Both NALC and SLCC have helplines open should you wish to talk through any problem you may encounter.
- 9 **Please note that additional disclosures are required from 2007 in sections 1 and 2 of this annual return for councils which are appointed as sole managing trustee of a local trust or trusts.**
- 10 **Please also note that the Accounts and Audit Regulations 2003 (as amended in 2006) require all bodies to carry out and report on an annual review of the effectiveness of internal audit. Guidance on how this requirement may be met is enclosed and will be incorporated into future editions of the *Practitioners' Guide**.**
- 11 **The statement of assurance has been renamed as the annual governance statement to bring it in line with best practice.**

***Note:** *Governance and Accountability for Local Councils in England and Wales – A Practitioners' Guide 2003 edition*, is available from your local NALC and SLCC representatives.