

65-2017

Local Councils, Internal Drainage Boards and other Smaller Authorities in England Annual return for the year ended 31 March 2016

Every smaller authority in England with an annual turnover of £6.5 million or less must complete an annual return at the end of each financial year in accordance with proper practices summarising its activities. In this annual return the term 'smaller authority'* includes a Parish Meeting, a Parish Council, a Town Council and an Internal Drainage Board.

The annual return on pages 2 to 4 is made up of three sections:

- Sections 1 and 2 are completed by the smaller authority. Smaller authorities must approve Section 1 before Section 2.
- Section 3 is completed by the external auditor.

In addition, the **internal audit report** is completed by the smaller authority's internal audit provider.

Each smaller authority must approve Sections 1 and 2 of this annual return no later than 30 June 2016.

Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Complete all highlighted sections. Do not leave any highlighted box blank. Incomplete or incorrect returns require additional external auditor work and may incur additional costs.

Send the annual return, together with the bank reconciliation as at 31 March 2016, 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** and any additional information requested, to your external auditor by the due date.

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

Once the external auditor has completed their work, certified annual returns will be returned to the smaller authority for publication or public display of Sections 1, 2 and 3. You must publish or display the annual return, including the external auditor's report, by 30 September 2016.

It should not be necessary for you to contact the external auditor for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides that can be downloaded from www.nalc.gov.uk or from www.slcc.co.uk or from www.ada.org.uk

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

Section 1 – Annual governance statement 2015/16

We acknowledge as the members of:

Enter name of
smaller authority here:

BRAISHFIELD 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 2016, 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.	✓			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 this smaller authority and recorded as minute reference:

MINUTE REFERENCE: 808
dated 03/05/16

Signed by:

Chair

REDACTED RED

dated

3 Mar 2016.

Signed by:

Clerk

REDACTED RED

dated

3/5/16

*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 2015/16 for

Enter name of smaller authority here:

BRAISHFIELD PARISH COUNCIL

	Year ending		Notes and guidance
	31 March 2015 £	31 March 2016 £	
1. Balances brought forward	11468	9224	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	10500	11000	Total amount of precept or (for IDBs) rates and levies received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	2967	1827	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	2083	3005	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 smaller authority's borrowings (if any).
6. (-) All other payments	13628	12792	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	9224	6254	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	9224	6254	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	9170	8668	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the smaller authority 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.B. The figures in the accounting statements above do not include any Trust transactions.
	✓		

I certify that for the year ended 31 March 2016 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

REDACTED

Date 3/5/16

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

03/05/2016

and recorded as minute reference:

MINUTE REFERENCE 309

Signed by Chair of the meeting approving these accounting statements.

REDACTED

Date 3 May 2016.

Section 3 – External auditor certificate and report 2015/16 Certificate

We certify that we have completed our review of the annual return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2016 in respect of:

Enter name of
smaller authority here:

BRAISHFIELD PARISH COUNCIL

Respective responsibilities of the body and the auditor

This smaller authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The smaller authority prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2016; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review the annual 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.

External auditor report

(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 matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (~~delete as appropriate~~)

The Council have received charity income into its bank account. The Council has no power to receive this money. As the charity is a separate legal body they should establish a separate bank account to receive the money related to the charity.

(continue on a separate sheet if required)

BDO LLP Southampton
United Kingdom

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

(continue on a separate sheet if required)

External auditor signature

BDO LLP

External auditor name

BDO LLP Southampton
United Kingdom

Date

12/9/16

Note: The NAO issued guidance applicable to external auditors' work on 2015/16 accounts in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Annual internal audit report 2015/16 to

Enter name of smaller authority here:

Brantham Local Council

This smaller authority's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2016.

Internal audit has been carried out in accordance with this smaller 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 smaller authority.

Internal control objective	Agreed? Please choose only one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been kept properly throughout the year.	✓		
B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This smaller 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.			no petty cash
G. Salaries to employees and allowances to members were paid in accordance with this smaller 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.	✓		Not applicable

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

Name of person who carried out the internal audit John K. GULLAY DHS CPPA

Signature of person who carried out the internal audit [REDACTED] Date 09/05/2016

*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).

Guidance notes on completing the 2015/16 annual return

1. You must apply proper practices for preparing this annual return. Proper practices are found in the Practitioners' Guide* which is updated from time to time and contains everything you should need to prepare successfully for your financial year-end and the subsequent work by the auditor. NALC, SLCC and ADA have helplines if you want to talk through any problem you encounter.
2. Make sure that your annual return is complete (i.e. no empty highlighted boxes), and is properly signed and dated. Avoid making amendments to the completed return. Any amendments must be approved by the smaller authority, properly initialled and explanation provided. Annual returns containing unapproved or unexplained amendments will be returned and may incur additional costs. **Smaller authorities must approve the annual governance statement before approving the accounts.**
3. Use the checklist provided below. Use a second pair of eyes, perhaps a Councillor or Board Member, to review the annual return for completeness before sending it to the external auditor.
4. Do not send the external auditor any information not specifically asked for. Doing so is not helpful. However, you must tell the external auditor about any change of Clerk, Responsible Finance Officer or Chair.
5. Make sure that the copy of the bank reconciliation which you send to your external auditor with the annual return covers all your bank accounts. If your smaller authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree your bank reconciliation to Box 8 on the accounting statements (**Section 2 on page 3**). You must provide an explanation for any difference between Box 7 and Box 8. More help on bank reconciliation is available in the Practitioners' Guide*.
6. Explain fully significant variances in the accounting statements on **page 3**. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete analysis to support your explanation. There are a number of examples provided in the Practitioners' Guide* to assist you.
7. If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge. **From 2016 onwards, you must inform the auditor of the date set for the commencement of the period for the exercise of public rights.**
8. Make sure that your accounting statements add up and the balance carried forward from the previous year (Box 7 of 2015) equals the balance brought forward in the current year (Box 1 of 2016).
9. Do not complete Section 3 which is reserved for the external auditor.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All highlighted boxes have been completed?	✓
	All additional information requested, including the dates set for the period for the exercise of public rights , has been provided for the external auditor?	✓
Section 1	For any statement to which the response is 'no', an explanation is provided?	n/a
Section 2	Smaller authority approval of the accounting statements is confirmed by the signature of the Chair of the approval meeting?	✓
	An explanation of significant variations from last year to this year is provided?	✓
	Bank reconciliation as at 31 March 2016 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 a Council is a sole managing trustee? NB: Do not send trust accounting statements unless requested.	✓
Internal Audit report	All highlighted boxes completed by internal audit and explanations provided?	✓

*Note: Practitioners' Guides are available from your local NALC, SLCC or ADA representatives or from www.nalc.gov.uk or www.slcc.co.uk or www.ada.org.uk.

Introduction

The following matters have been raised to draw items to the attention of Braishfield Parish Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2016. This report must be presented to a full meeting of the smaller authority for review.

The audit 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.

The matters listed below are explained in further detail on the page(s) that follow;

- Administration of charitable money
-

The following issue(s) have resulted in the annual return being qualified. They indicate a weakness in the council's procedures and require the council to take immediate action.

Administration of charitable money

What is the issue?

The annual return includes transactions and cash balances held on behalf of a registered charity.

Why has this issue been raised?

The council has failed to maintain separate books of account for the charity, which is a breach of their fiduciary duty as trustee. The council has not prepared its financial statements in accordance with proper practices in breach of the Accounts and Audit Regulations 2015. The proper practices for the administration of charitable money are set out in 'Governance and Accountability in Local Councils in England - A Practitioners' Guide 2010' paragraphs 1.38 to 1.49. Statutory information has not been adequately disclosed to the Charity Commission. The council's responsibility for the charity has not been publicly disclosed.

What do we recommend you do?

The council must ensure that as the charity is a separate legal entity from the council, its business is conducted separately from that of the council. The charity should also operate a separate bank account and maintain its own books of account.

The trustees of the charity must hold separate meetings, have separate agendas and minutes for these meetings. All charity business should be conducted at the meeting of the charity's trustees and charity business should not be discussed during the council's meetings. The council should update the trustee information with the Charity Commission to record the council is the sole trustee.

Further guidance on this matter can be obtained from the following source(s):

Charity Commission website (www.charity-commission.gov.uk)
Local Council Administration, 7th Edition, Charles Arnold-Baker, Chapter 13
Audit Briefing, Spring 2010- BDO LLP

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 12 September 2016

Braishfield Parish Council

Issues arising from Audit for the year ended 31 March 2016

For the financial year ending 31 March 2016, the Audit identified that the Annual Return includes transactions and cash balances held on behalf of registered charities for which the council is the sole trustee (Braishfield War Memorial and Braishfield Recreation Ground). This is a breach of the Accounts and Audit Regulations 2015.

The correct practice is to conduct the business of the two charities separately from that of the council. The council has taken the following action to achieve this:

- From June 2015 meetings of the charities have been held entirely separately from those of the council, and separate agendas minutes are kept. Charity business is not discussed at meetings of the council.
- From 1 April 2016 the charities operate separate bank accounts and maintain their own books of accounts.

These measures mean that from 1 April 2016 (the start of the current financial year), the council is fulfilling its duties as sole trustee of the charities, and is complying with proper practices and the Accounts and Audit Regulations 2015.

Kate Orange

Clerk/RFO to Braishfield Parish Council

23/09/16

Bank Reconciliation: to 31 March 2016
Braishfield Parish Council

Prepared by Kate Orange (Clerk/RFO)
Date: 14 April 2016
Approved by
Date

Balance per bank statements			
Treasurer's Account (at 31 March 2016)	3,456.45		
30 day notice (Statement at 31 March 2016)	2,797.44		
			6,253.89
<u>Less</u> un-presented cheques at 31 March 2016	nil		
			0.00
Net bank balances as at 29 February 2016			6,253.89

The net balances reconcile to the Cash Book (receipts and payments account) for the period, as follows

CASH BOOK	
Opening Balance (carried forward from 31 March 2015)	9,223.85
Add: Receipts in year to date	12,827.09
Less: Payments in year to date	(15,797.05)
Closing Balance per Cash Book (receipts and payments account) as at 31 January 2016 (must equal net bank balances above)	6,253.89

Braishfield Parish Council

Explanation of Significant Variances for Annual Return year ending 31 March 2016

INTRODUCTION: EXPLANATION OF TRANSITIONAL BANKING ARRANGEMENTS FOR CHARITABLE TRUSTS

The council is the sole trustee for two charitable trusts: Braishfield War Memorial and Braishfield Recreation Ground. As from 1 April 2016, money is properly kept in separate bank accounts, in the names Braishfield War Memorial and Braishfield Recreation Ground: the council will be properly fulfilling its obligations towards the charities for the year ending 31 March 2017.

Until year ending 31 March 2014, the council had been accounting for the charities' money separately, but had not been banking it separately from the council's money. During the year ending 31 March 2015, the council put in place a transitional arrangement to handle the transfer of the charities' money to their own bank accounts. During the year ending 31 March 2015, the charities' money was still held in the council's bank account, because the financial year had already commenced before the proper arrangements could be implemented. The council notified our internal auditor and ourselves of this transitional arrangement at the last audit.

*£1,000 deposit was required per bank account to open accounts for the charitable trusts: this was the minimum deposit the bank would accept in order to open the accounts.

Table 1: Summary of Variances

Line No	(1) This Year (2015-16) £	(2) Last Year (2014-15) £	(3) Difference £	(4) Difference %	Explain (If (3) >£100 & (4) > 10% (Y or N)	Explanation	Amount £
2	11,000	10,500	500	4.8%	Y	The budget recognised that expenditure exceeded income in recent years, and reduced the reserve. The budget required a £500 increase in the precept.	500
3	1,827	2,967	1,140	38.4%	Y	There were some exceptional receipts during 2014-15: Ward Councillor Grant £500 (towards defibrillator); payment of £684 from a bus operator (to pay for collision damage to War Memorial)	1,184

Braishfield Parish Council

Explanation of Significant Variances for Annual Return year ending 31 March 2016

Line No	(1) This Year (2015-16) £	(2) Last Year (2014-15) £	(3) Difference £	(4) Difference %	Explain (If (3) >£100 & (4) > 10%) (Y or N)	Explanation	Amount £
4	3,005	2,083	922	30.7%	Y	Staff costs should be £2,500 per annum. This year (2015-16) staff costs were higher than normal because the Clerk put in over-time to obtain a qualification (+£505). Last year costs were low because at the start of the year there was a period of one month with no clerk, between the retirement of one clerk and the employment of the new clerk; and the Clerk's salary for March was paid at the start of April 2015; so only 10 months salary were paid in during the financial year 2014-15 (-£416.66).	922
5	Nil	Nil	/	/	/	/	/
6	12,792	13,628	836	6.1%	Y	Payments other than Staff Costs this year were £836 lower than in 2014-15. The variance is not attributable to one transaction. See Table 2 for detailed comparison of atypical payments	837
9	8,668	9,170	502	5.5%	Y	The value of Fixed Assets was lower in 2015-16 because the council returned its electronic speed sign to the Borough Council (-£1,580). For the year 2015-16, nominal £1 values have been assigned to each of the following community assets, in accordance with Governance and Accountability: Braishfield Recreation Ground, Braishfield War Memorial, pond (+£3). The council purchased a new noticeboard during 2015-16 (+£1,057).	502
10	Nil	Nil	/	/	/	/	/

Braishfield Parish Council

Explanation of Significant Variances for Annual Return year ending 31 March 2016

Table 2: detailed comparison of Line 6 "all other payments"

Description of Atypical Payment	This Year (2015-16)	Last Year (2014-15)	Difference £	Summary
<u>Administration</u>				
Training/qualifications	475	85	390	
Subscriptions	345	241	104	
Printing, office supplies, signwriting etc, website	445	226	219	
Noticeboard expenses (repair / renewal)	896	455	441	
Audit fees	260	315	-55	
Election costs	967	24	943	
Misc	426	361	65	
			Sub-total	2,107
<u>Recreation Ground</u>				
Treework	450	1,100	-650	
Carpark repair	0	3,460	-3,460	
Grounds Maintenance	1,830	590	1,240	
Playground inspections	359	175	184	
Bollards/fences	892	0	892	
			Sub-total	-1,794
<u>War Memorial repair/maintenance</u>	382	1,254	-872	

Braishfield Parish Council

Explanation of Significant Variances for Annual Return year ending 31 March 2016

Description of Atypical Payment	This Year (2015-16)	Last Year (2014-15)	Difference £	Summary
			Sub-total	-872
<u>Highways/rights of way</u>				
Footpath clearance	150	0	150	
Electronic speed sign / data collection	0	507	-507	
			Sub-total	-357
<u>Grants etc</u>				
S137 payments or grants (in 2014-15 this included purchase of community defibrillator and telephone, total £1605	1,040	2,349	-1,309	
Payment towards costs of maintaining burial ground	240	0	240	
			Sub-total	-1,069
<u>VAT (payments)</u>	958	1,810	-852	
			Sub-total	-852
<u>Transfer to Bank Accounts of Charitable Trusts*</u>				
Braishfield War Memorial	1,000	0	1,000	
Braishfield Recreation Ground	1,000	0	1,000	
			Sub-total	2,000
			Net variance	-£837