



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

## Annual return for the year ended 31 March 2017

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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 Section 1 and Section 2 in order and in accordance with the requirements of the Accounts and Audit Regulations 2015.**

### 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 2017, 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 and public display of Sections 1, 2 and 3. You must publish and display the annual return, including the external auditor's report, by 30 September 2017.

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' Guide that can be downloaded from [www.nalc.gov.uk](http://www.nalc.gov.uk) or from [www.slcc.co.uk](http://www.slcc.co.uk) or from [www.ada.org.uk](http://www.ada.org.uk)

## Section 1 – Annual governance statement 2016/17

We acknowledge as the members of:

Enter name of  
smaller authority here:

Mawnan Parish Council

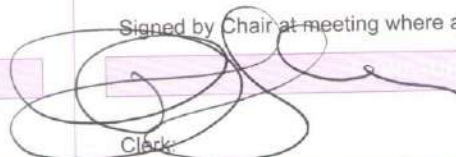
our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2017, that:

	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	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 on:

18/5/17

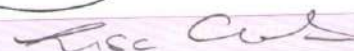
Signed by Chair at meeting where approval is given:



and recorded as minute reference:

2494

Clark



\*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:

Mawnan Parish Council

	Year ending		Notes and guidance
	31 March 2016 £	31 March 2017 £	
1. Balances brought forward	80295	75163	Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records. 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	41503	41918	Total amount of precept (or for IDBs, rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	24339	25780	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	11079	11518	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	0	0	Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).
6. (-) All other payments	59895	47663	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	75163	83678	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	75162	83678	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	60562	60563	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	0	0	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 <input checked="" type="checkbox"/>	No <input type="checkbox"/>	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

18/5/17

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

18/05/2016

and recorded as minute reference:

2498

Signed by Chair at meeting where approval is given:



## Section 3 – External auditor report and certificate

In respect of:

Enter name of  
smaller authority here:

Mawnan Parish Council

### 1. 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 2017; 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.

### 2. 2016/17 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 other matters have come to our attention giving cause for concern that relevant legislative and regulatory requirements have not been met. (\*delete as appropriate).

(continue on a separate sheet if required)

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

see attached.

(continue on a separate sheet if required)

### 3. 2016/17 External auditor certificate

We certify/~~do not 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 2017.

\* We do not certify completion because:

External auditor signature

Grant Thornton UK LLP

External auditor name

Grant Thornton UK LLP

Date

31/05/2017

Note: The NAO issued guidance applicable to external auditors' work on 2016/17 accounts in Auditor Guidance Note AGN/02. The AGN is available from the NAO website ([www.nao.org.uk](http://www.nao.org.uk))



This page is part of Section 3 - External auditor certificate and opinion 2016/17

Mawnan Parish Council

External Auditor Report for the year ended 31 March 2017

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

**Approval of the Accounting Statements**

The Parish Council has stated that the Accounting Statements 2016/17 were approved by the smaller authority on the 18 May 2016. This is incorrect and should read 18 May 2017. In future, the Authority must ensure that the accounting statements in section 2 of the Annual Return are prepared accurately and in accordance with proper practices.

A handwritten signature in blue ink that reads "Grant Thornton UK LLP".

Grant Thornton UK LLP

Date 31/08/2017.

Our ref **CWL088**



# Annual internal audit report 2016/17 to

Enter name of  
smaller authority here:

Mawnan Parish 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 2017.

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.			NOT USED
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)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.	✓		

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

MOSSON ACCOUNTING LTD  
SPH MOSSON CPA

Signature of person who carried out the internal audit

SPH MOSSON

Date

26/04/2017

\*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 2016/17 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 unexplained or unapproved amendments may be returned and incur additional costs.
3. **Smaller authorities must approve Section 1 on page 2 before approving Section 2 on page 3.**
4. Use the checklist provided below. Use a second pair of eyes, perhaps a Councillor or Board Member, to review the annual return for completeness and accuracy before sending it to the external auditor.
5. 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.
6. 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\*.
7. 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 a complete numerical and narrative analysis to support your explanation. There are a number of examples provided in the Practitioners' Guide\* to assist you.
8. 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.
9. **You must inform the external auditor of the date set for the commencement of the period for the exercise of public rights.**
10. Make sure that your accounting statements add up and the balance carried forward from the previous year (Box 7 of 2016) equals the balance brought forward in the current year (Box 1 of 2017).
11. 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, <b>including the dates set for the period for the exercise of public rights</b> , has been provided for the external auditor?	
Section 1	For any statement to which the response is 'no', an explanation is provided?	
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 2017 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: The Practitioners' Guide is available from your local NALC, SLCC or ADA representatives or from [www.nalc.gov.uk](http://www.nalc.gov.uk) or

Bank Reconciliation period ending:

31-Mar-17

**Council Name:**

Mawnan Parish

**Prepared by:**

Mrs Lisa Clements(clerk & RFO)

**Date:**

**Balance per bank statements as at:**

Mar-17

£

£

Current Account - Lloyds

13936.43

Deposit Account - Lloyds

70461.81

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84,398.24

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Less: any un-presented cheques at 31 March  
(normally only current account)

Cheque number

2540

£720.00

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720.00

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Add any unbanked cash at: 31 March

Net bank balances as at: 31 March 2017

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83,678.24

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

**CASH BOOK**

Opening Balance

75,162.48

Add: Receipts in the year

67,698.05

Less: Payments in the year

-59,182.29

Closing balance per cash book [receipts and  
payments book] as at 31 March 2017 (must  
equal net bank balances above)

83,678.24

0

**Approved by:**

**Date:**





## Suggested layout for explanations of individual variances

One sheet to be prepared for each variance that requires explanation.

Authority name and reference	Mawnan Parish Council	
BOX NO	6	£
(b) Figure in 2017 column		47663
(a) Figure in 2016 column		59895
(d) Total variance: 2017 figure less 2016 figure: (b - a) A positive figure is an increase (+) a negative figure is a decrease (-)		-12232

Reasons (as many as are applicable)	Amount £
Reason 1 graveyard complete - paths of 2015/16 (£19062) replaced by annual maintenance (£5459)	-14503
Reason 2	
Reason 3	
(e) TOTAL AMOUNT £ EXPLAINED (total of reasons above)	- 14503
(f) Unexplained amount £ of total variance at (d - e)	2271
Unexplained as % of 2016 figure (f / a *100) (must be below 15%)	3.8%
Confirm unexplained amount is less than 15% of 2016 figure YES – satisfactorily explained NO – provide further explanations	Yes



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS OF MAWNAN PARISH COUNCIL  
YEAR ENDED 31ST MARCH 2017

ISSUE DATE: 30/04/2017  
STATUS: DRAFT  
ISSUED TO: PARISH CLERK



## **INTRODUCTION:**

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **Scope:**

The scope of the audit covers the areas included on Part 4 of the Annual Return and the Transparency Code.

Audit work is carried out in line with the Chartered Institute of Public Finance and Accountancy's Internal Audit Standards and guidance issued by the National Association of Local Councils.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Where applicable we have included reference to 'proper practice' and the associated guidance as laid out in 'Governance & Accountability for Smaller Authorities in England' which is applicable to financial years from 1<sup>st</sup> April 2016.

## **GENERAL COMMENTS:**

We would like to thank the Clerk for their assistance and co-operation during the course of the audit.

We have signed off the Annual Return and have answered 'yes' in all cases. This should give the Council assurance that its internal controls are working satisfactorily. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The audit does not guarantee that the accounting records are free from fraud or error.

Items in **bold text** within the body of the report represent our findings in respect of the application of controls, text in *italics* represent suggested actions that fall short of being a formal recommendation.

## **INTERNAL AUDIT REPORT RESPONSE RECORD:**

We have provided a table of audit recommendations that allow for the Council's response which can be used as an ongoing monitoring tool.

We would be grateful if, in due course, it is completed and returned to us.

## AUDIT COMMENTARY:

### 1. Accounting Records

Are maintained on a spreadsheet and appeared free from error.

### 2. Financial Regulations

Financial Regulations are in place but we make the following comment.

- Paragraph 4.1 contains no delegation for the authority to spend between £300 and £500.

*A suitable delegation should be inserted.*

### 3. Payments

A sample of payments was tested.

**Payments were supported by invoices, suppliers promptly paid and VAT accurately recorded.**

**Official orders are used, generally via e-mail.**

*It is suggested that purchase orders are appended to invoices and either signed by the Clerk if purchased under delegated powers or annotated with the relevant Minute number if agreed by Council. This will both provide a better audit trail and meet the evidential requirements of Financial Regulation 4.1.*

**The process by which authorisation to extend the graveyard maintenance contract was given is unclear from the Minutes.**

*Decisions around the award and management of contracts should be clearly Minuted and authorised in line with Financial Regulations.*

**A grant was awarded to a local Church.**

*The legal basis for providing grants to churches is subject to debate and the Council should ensure it has the requisite power to do so.*

### 4. Risk Management

*Risk Assessment:*

**The Council has considered the financial and reputational risks that may arise as part of its activities during the year.**

*Internal Controls:*

**Member internal control checking is not carried out.**

Guidance on proper practice now includes a list of those things that need to be in place to give a positive response to the assertion in the Annual Governance Statement in respect of internal controls. This includes a requirement, contained in the Accounts & Audit Regulations 2015, to review the effectiveness of the internal control environment. Member checking would be one element of this review.

To ensure compliance with proper practice and the requirements of the Accounts & Audit Regulations it is recommended that:

#### **Recommendation 1**

**Due regard should be given to the proper practice guidance when considering the Annual Governance Statement and a documented review of the effectiveness of internal controls produced and a regime of Member internal control checks established.**

*Insurance:*

**Statutory insurances are in place and the Fidelity Guarantee is adequate at £150,000**



*Business Continuity Arrangements:*

**Computers are protected and the production of procedure manuals is underway.**

*Procedure manuals should be finalised as soon as possible.*

**5. Budget Management.**

*Budget Setting:*

**The budget was set following the production of detailed estimates.**

*Budget Monitoring:*

**Quarterly budget monitoring information is provided to Members**

*Adequacy of reserves:*

**Total reserves amounted to £83,678 with earmarked reserves being £41,546. This leaves the general reserve at £42,132 or 71% of gross expenditure in 2016/17 well within accepted levels.**

**6. Income.**

**The major source of income outside of the precept, grants and donations is burial fees. Receipts were promptly banked.**

**7. Petty Cash**

**Petty cash is not used and the Clerk is re-imbursed for any Council related expenditure he incurs.**

Financial Regulations allow for a Council credit card or pre-paid debit card to be issued and do not allow for the use of personal cards; it is therefore recommended that:

**Recommendation 2**

**Consideration should be given to acquiring a credit or debit card in the name of the Council to be used, subject to suitable controls, for sundry purchases.**

**8. Payroll.**

**The payroll is managed through HMRC Basic Tools software.**

**There were no issues to report other than tax relief on pension contributions have been taken twice.**

*The amounts of money involved are small but the situation must be rectified going forward and any unpaid tax made up.*

**The Clerks contract of employment refers to the Local Government Pension scheme rather than NEST.**

*The necessary amendments should be made.*

**9. Assets.**

**An asset register was provided that was in accord with the Annual Return.**

**10. Bank Reconciliations.**

**Bank reconciliations are carried out in a timely manner and were reviewed by Members.**

**11. Accounting Statements**

**The Accounting Statements were in accord with underlying records.**

**12. Trusts**

The Council is sole Trustee to two charities.

**To some extent there is a lack of transparency around the financial affairs of the Council and the Trusts as on occasion the Council will purchase items for them. This means that no**

**financial transactions are carried in the Trust accounts thus masking the true position.**

*It is suggested that in circumstances where the Council wishes to make a financial contribution to a Trust this should be done by way of grant. This will also ensure that any VAT liability will fall in the correct place.*

### **13. Transparency Code**

Whilst the Transparency Code (the Code) is not yet mandatory for Councils of Mawnan's size we are monitoring and encouraging compliance as there is an expectation that public bodies will be open and transparent.

**The Councils website contains much of the information required by the Code and it has adopted the Information Commissioner's (ICO) Model Publication Scheme, albeit that the list of publications available could not be found on the website**



## **Earmarked Reserves for End of Year 2016/17**

### **Election Expenses –**

Built up over 4 years to fund cyclical parish election costs

£750.00

### **Helford Passage Carpark Trust –**

Donation received for works to Helford/Durgan stretch of SWCP... project pending

£950.00

### **Graveyard –**

income from burials/memorials. Initial plan to keep £5000 as works contingency anything above this to set against annual maintenance bills

£4,850.00

### **H&S –**

Health & safety contingency fund

£1,500.00

### **grant funding for PTA/outdoor stage –**

remained of 2016/17 grant allocation (originally £2000 from budget, £5000 from Solar grant) pending additional works information from PTA. Claim only received Feb 2017

£1,230.00

### **Solar Farm grant funding –**

Annual income from solar farm agreement. Used for sustainable community projects.

£32,266.00

**Total**

**£41,546.00**