



22nd June 2021

In accordance with Paragraphs 8 & 10(2) (b) of Schedule 12 of the Local Government Act 1972 and The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, I hereby summon you to attend a Meeting of **PETERLEE TOWN COUNCIL** to be held online on **MONDAY 28TH JUNE 2021 at 6.30pm**

Ian Morris, P.S.L.C.C
Town Clerk (Proper Officer of the Council)

Members of the Committee and members of the public are reminded that the public part of the meeting may be recorded in both audio and video, and photographs may be taken.

Due to the current COVID restrictions the capacity of the meeting room is significantly reduced and public admission to the meeting will be limited. Any members of the public wishing to attend Shotton Hall to observe the meeting are strongly advised to contact Kay Twedde, Deputy Clerk, to reserve a seat: council@peterlee.gov.uk or 0191 5862491

BUSINESS TO BE TRANSACTED

1. Apologies for Absence
2. Public Participation Session
Will be held to allow Members of the public an opportunity to put questions to the Council. This item of business to last no more than 15 minutes, as per Council Standing Orders.

3. To receive declarations of interest

Members are reminded of the need to disclose any interests in items on this agenda, whether pecuniary or otherwise. Please seek advice from the Town Clerk or Deputy Town Clerk **prior to the meeting** if in doubt. Members are reminded that they can check their published declaration of interests here: <https://bit.ly/2wVyeLA>

4. To Approve the Minutes of the last meeting of the 17TH May 2021

The minutes of the previous meeting are attached for consideration and approval as a true and correct record. (attached)

5. Police Update

To receive an update report from Neighbourhood Police Sergeant covering Peterlee, Horden and Blackhall, T/Sgt Charlotte Burn, who sends her apologies. (Town Clerk to present to the meeting)

6. Fishing at Shotton Hall

To receive a report from the Town Clerk on proposals to create an angling club at Shotton Hall and to hold an open meeting of prospective club members to discuss terms and conditions for the club.

(Verbal report of the Town Clerk)

7. Internal Audit Progress report for Quarter 4 20/21

To receive and note the internal audit progress report from Tracy Henderson, Durham County Council Interim Audit Manager.

(Report of the DCC Audit Manager, Attached)

8. Annual Internal Audit Report 20/21

To receive and note the Annual Internal Audit Report from Tracy Henderson, Durham County Council Interim Audit Manager, along with an update on recent audit activity and actions arising.

(Report of the DCC Audit Manager, Attached and see also the Annual Return document attached)

9. Annual Governance Statement 2020/21

To approve the Council's Annual Governance Statement for the 2020/21 financial year as part of the Annual Governance and Accountability Return (AGAR).

(Copy of the Annual Governance Statement and excerpt from the JPAG Practitioners' Guide, attached)

10. Accounting Statements 2020/21

To approve the Council's Accounting Statements for the 2020/21 financial year as part of the Annual Governance and Accountability Return (AGAR).

(Copy of the Accounting Statements signed by the Town Clerk and excerpt from the JPAG Practitioners' Guide, attached)

11. Signing of the Annual Governance Statement and Accounting Statements

Following approval, for the Chairman and Clerk of the meeting to sign the Annual Governance Statement and Accounting Statements.

12. Confirmation of the commencement date for the exercise of public rights

To receive a verbal report from the Town Clerk confirming the commencement date for the 'period for the exercise of public rights' during which the public can inspect the accounts for the 2020/21 financial year.

(verbal report of the Town Clerk)

13. Payment of Accounts

To confirm and endorse the BACS payments to be paid on 24th June 2021 in the sum of £56,993.41.

14. COVID-19 Update

To receive an update from the Chief Officer on the Council's response to the COVID-19 situation.

(verbal report of the Chief Officer)

15. Lowhills Road Car Park

To receive a report from the Parks Manager on options for public access to the Town Council's car park adjacent to the former bowls green on Lowhills Road. (Report of the Parks Manager attached)

16. Spokesperson of the North East Party's Report

17. Spokesperson of the Labour Party's Report

PETERLEE TOWN COUNCIL

MINUTES OF MEETING OF THE TOWN COUNCIL HELD

IN THE BRANDLING SUITE, SHOTTON HALL, PETERLEE

ON MONDAY 17TH MAY 2021 AT 6.00PM

PRESENT: MA CARTWRIGHT (Chair)

Mesdames: A E Laing, K J Duffy, S McDonnell, D Quinn, D Howarth,
K Hawley, E Watson, J S Black, M McCue, S Simpson & K Liddell

Messrs: T Duffy, S Meikle, R Moore, B Fishwick, R Burnip, D Hawley,
M Sanderson, S Franklin & G Johnson

MEMBERS WERE REMINDED OF THE NEED TO DISCLOSE ANY INTEREST PREJUDICIAL OR PERSONAL IN ACCORDANCE WITH THE CODE OF CONDUCT.

1. To Sign & complete the Declaration of Acceptance of Office

Councillors that had not already done so signed the Declaration of Acceptance of Office as a Town Councillor. **RESOLVED the information given, be noted.**

2. To Elect a Chairman for the Ensuing Year

Members were asked to elect a Mayor for the ensuing year. **RESOLVED that Councillor M A Cartwright be elected as Chairman for the ensuing year.**

Councillor Cartwright thanked her colleagues for their votes and she said even with what had been a difficult year she hoped the council would continue to go forward. She said she looked forward to working together and hoped all councillors would enjoy their four year term together as the new Council.

RESOLVED the information given, be noted.

3. To Sign and complete the Declaration of Acceptance of Office

The Mayor then signed the Declaration of Acceptance of Office to the role of Chairman. **RESOLVED the information given, be noted.**

4. Apologies for Absence

No apologies for absence had been submitted. **RESOLVED the information given be noted.**

5. Presentation to Former Mayor of Peterlee to Mark his Year of Office

Councillor T Duffy was awarded with a medal to mark his year of office. **RESOLVED the information given, be noted.**

6. Register of Disclosable Pecuniary Interests & other Registerable Interests

All Members were asked to make sure they completed a new forms and reminded that should their circumstances change they were required t update their forms either via the office or DCC. **RESOLVED Members complete and return their forms as soon as possible and no later than 4 June 2021.**

7. To Elect a Vice Chair/Deputy Mayor & Consort

Nominations for the post of Vice Chairman were invited. **RESOLVED Councillor R Moore be elected to the position of Chair/Deputy Mayor for the ensuing year.**

8. To Announce a Spokesperson for the Majority Party

RESOLVED Councillor S McDonnell be named as the spokesperson for the majority party.

9. To Announce a Spokesperson of the Minority Party

RESOLVED Councillor R Burnip be named as the spokesperson for the minority party.

10. The Minutes of the Last Meeting, a copy of which had been previously circulated to each Member, were approved as a true and correct record.

11. Review and Adoption of The Town Council's Standing Orders

Members were asked to review the Council's Standing Orders and the Clerk confirmed there were no major amends to them. **RESOLVED the Standing Orders be adopted.**

12. To Confirm the Dates of the Meetings for the Forthcoming Year

Members agreed and confirmed the dates of the meetings for the forthcoming year, noting the Resources first meeting would be 21st June and not the 14th as given, as it clashed with Social Media training. **RESOLVED the dates of the meetings for the 2020/21 civic year, be confirmed and the meetings revert to a start time of 6.30pm.**

13. Review of the Terms of Reference for committees

Members were asked to review the terms of reference for the Town Council's committees. **RESOLVED the terms of reference as circulated, be accepted.**

14. To confirm the arrangements for insurance cover in respect of all insured risks
Members were asked to note the insurance arrangements with Zurich Municipal for the forthcoming year. **RESOLVED the insurance arrangements for the Council, be noted.**
16. Review of inventory of land and assets including buildings and office equipment
The Town Clerk circulated a summary of the Town Council's assets as provided through the year end accounting process.
RESOLVED the information given, be noted.
17. Review of the Council's complaints procedure
Members were asked to review the Council's complaints procedure, along with the associated vexatious complaints policy. **RESOLVED the complaints procedure and policy for handling complaints, be confirmed.**
18. Review of the Council's procedures for handling requests made under the Freedom of Information Act 2000
Members were asked to review the Council's procedures for handling FOI requests under the Freedom of Information Act 2000. **RESOLVED the procedure be confirmed with the amendment FOI Requests be reported to Council when received.**
19. Committees, Sub Committees, Working Parties and their Chair and Vice Chair
RESOLVED the following be approved as Chair, Vice Chair and members of the following:-
- Council – all 22 members, Chair M A Cartwright, Vice Chair R Moore
 - Resources Committee – all 22 members, Chair K Hawley, Vice Chair K Liddell
 - Community & Environment Committee – all 22 members, Chair M A Cartwright, Vice Chair G Johnson
 - ◆ Human Resources – all 22 members – Chair R Moore, Vice Chair, G Johnson
 - Appeals Sub Committee – 5 members, Chair T Duffy, Vice Chair D Howarth and K Hawley, K J Duffy & S McDonnell.
 - Disciplinary Hearings – 7 members, Chair R Moore, Vice Chair K Liddell and D Quinn, S Simpson, J Black, M A Cartwright & D Hawley.
 - Town Clerk's Appraisal Sub Committee – 5 members, Chair M A Cartwright, Vice Chair D Howarth and K Hawley, T Duffy and D Quinn.
 - ◆ Health & Safety Sub Committee – all 22 members, Chair D Quinn, Vice Chair M A Cartwright
 - ◆ Events Working Party – all 22 members, Chair K Hawley & K J Duffy

- ◆ Finance Sub Committee – 8 (volunteered to be included as signatories on the bank account) R Moore, K Liddell, T Duffy, S Simpson, K J Duffy, G Johnson, J Black & R Burnip
- Scrutiny & Progress Working Party – 14 members, Chair K Hawley & Vice Chair R Moore and S Franklin, E Watson, B Fishwick, M A Cartwright, D Howarth, D Hawley, G Johnson, M Sanderson, J Black, K Liddell, M McCue & R Burnip
- Parks & Play Areas Working Party – all 22 members, Chair G Johnson & Vice Chair R Moore
- Woodhouse Park Working Party – this be removed and resurrected as and when necessary
- Lowhills Road Working Party – this be removed and resurrected as and when necessary
- Environmental Park (Pony Fields area) Working Party – 14 members, Chair D Quinn & Vice Chair D Howarth and B Fishwick, G Johnson, M A Cartwright, J S Black, T Duffy, E Watson, S Franklin, M Sanderson, K J Duffy, R Moore, K Liddell & S Simpson

20. Delegates to Other Bodies

RESOLVED the following members be appointed as representatives of the Town Council to serve on the following bodies:-

1. County Durham Association of Local Councils
Councillor M A Cartwright & J Black
2. Easington Durham Association of Parish & Town Councils
Councillors M A Cartwright & J Black
3. Castle Eden Dene Joint Management Committee
Councillors G Johnson, K J Duffy & T Duffy
4. Passmore Pavilion Local Steering Group
Councillors S McDonnell
5. Shotton Airfield Consultative Committee
Councillor M A Cartwright
6. Healthworks, Easington
Councillor S Franklin
7. Peterlee Cricket Club
Councillor D Hawley

21. General Power of Competence

RESOLVED the Council confirm its ongoing eligibility to use of the General Power of Competence as per the Parish Councils (General Power of Competence) (Prescribed

Conditions) Order 2012 and Localism Act 2011, on the basis that both the Clerk and Deputy Clerk hold the mandatory Certificate in Local Council Administration (CiLCA) qualification and that more than 2/3 of the Council has stood for election in May 2021.

22. Spokesperson for the North East Party Member's Report

Councillor McDonnell spoke about the work of the Town Council, being a "Can Do" Council supporting various partners such as the CAB. She said she was looking forward to the next four years and the Council working together for the benefit of the Town.

RESOLVED the report be noted.

23. Spokesperson of the Labour Minority Member's Report

Councillor Burnip said the Labour Party were working to make a positive change in the area and he hoped to work together to help the people of Peterlee. **RESOLVED the report be noted.**

PETERLEE TOWN COUNCIL MEETING
28 June 2021
INTERNAL AUDIT PROGRESS REPORT



REPORT OF THE HEAD OF INTERNAL AUDIT

Purpose of the Report

1. The purpose of this report is to advise Members on work undertaken by Internal Audit between 01 April 2020 and 31 March 2021 with coverage provided in accordance with our agreed SLA. The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operating across the Authority that have been subject to audit.
 - Advise the Committee of significant issues where controls need to improve to effectively manage risks.
 - Advise the Committee of any amendments to the approved Internal Audit plan.
 - Advise the Committee of changes to audit processes and terminology.
 - Track progress on the response to internal audit reports and the implementation of agreed internal audit recommendations.
 - Provide an update on our performance indicators comparing actual performance against planned.
2. The appendices attached to this report are summarised below. Those marked with an asterisk are considered as being not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

Appendix 1	Risks and Implications
Appendix 2	Progress against the Internal Audit Plan
Appendix 3	Internal Audit Performance Indicators
Appendix 4	Overdue Actions

Progress against planned work

3. A summary of the agreed plan showing the status of each audit at the time of writing this report is attached at Appendix 2.
4. Delivery of the audit plan was impacted following the onset of the coronavirus pandemic which resulted in our agreeing to a new way of working with the Council through remote access and where visits needed to be made and records collected following the completion of risk assessments for each individual and location.
5. The Appendix shows that three reviews included within the 2020/21 plan have been cancelled at the request of the Council and deferred to the Internal Audit Year 2021/22 and that six assurance reviews are complete. Within the quarter the following two reports were completed;

Review of General Data Protection Regulations

6. This review confirmed that appropriate arrangements were in place regarding the use of Privacy notices; completion of the Service Information Asset Register which documents what data is held by whom, its location, the person responsible for the data and retention process; and Data log which records data which has either been destroyed or is held in storage.
7. The review confirmed that relevant members of staff have received GDPR and Data Protection training and that staff are aware of potential data breaches and what to do should this occur.
8. Our work provided a Substantial Assurance opinion, however, it was recognised that although it is not a mandatory requirement for Members to undertake GDPR training that Members require a good understanding of GDPR and therefore it was agreed that refresher training would be provided to Members.

Review of Leisure Gardens

9. This review considered the arrangements in place for the Council's management of the Leisure Gardens sites, based at Lowhills Road and Thorntree Gill. Since the previous audit was carried out in 2018, the management of the Lowhills Road site has reverted back to the Council and the Thorntree Gill site is still managed by Thorntree Gill Gardeners Association.
10. A Leisure Garden management system has been purchased by the Council which was brought into use in early 2021 and it is acknowledged that the system is not yet being fully utilised. The review considered the arrangements in place regarding the management of waiting lists, the allocation and management of plots and the collection of income.
11. Our work provided a Moderate Assurance opinion and six Medium Priority, and one best practice recommendation were made to improve the management of the identified risks.
12. Assurance reviews incorporate a consideration of the Council's Risk and Governance arrangements within each activity inspected.
13. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 2.

Amendments to Annual Audit Plan

14. During the quarter no amendments were made to the plan.

Outstanding management response to draft reports

15. There are no management responses to outstanding Draft Reports overdue.

Response to Audit Recommendations

16. To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within the action plans of individual audit reports are followed up by internal audit. In addition, listings of all recommendations outstanding at the end of each quarter are produced and issued to the Town Clerk to assist the Council in its own internal monitoring processes.
17. To allow the progress made at an operational level to be tracked and monitored, the numbers of all recommendations made arising from each audit complete, and evidenced as implemented, are shown in Appendix 4. It should be noted that Internal Audit will not follow up Best Practice matters raised.
18. A summary of outstanding audit recommendations i.e. those not implemented within original agreed or revised target dates, as evidenced through Internal Audit follow up, is given in the table below:

Risk	Actions	Total	Implemented			Overdue	Target	Overdue
Category	Raised	Due	(Due)	(Not due)	Total	Original	Revised	Revised
2017/18								
High	0	0	0	0	0	0	0	0
Medium	20	20	19	0	19	1	1	0
Total	20	20	19	0	19	1	1	0
2018/19								
High	3	3	3	0	3	0	0	0
Medium	26	26	25	0	25	1	1	0
Total	29	29	28	0	28	1	1	0
2019/20								
High	0	0	0	0	0	0	0	0
Medium	2	2	2	0	2	0	0	0
Total	2	2	2	0	2	0	0	0
2020/21								
High	0	0	0	0	0	0	0	0
Medium	10	3	3	0	3	0	0	0
Total	10	3	3	0	3	0	0	0

19. There are two Medium priority recommendations overdue against original target implementation dates. Revised target dates have been agreed in all cases with no recommendations overdue. Details of the two overdue recommendations are shown in Appendix 4.

Unplanned work carried out this quarter

20. There has been no unplanned activity carried out during the period.

Reports issued with a Limited Assurance Opinion

21. There were no reports issued in the period that resulted in a Limited Assurance Opinion.

Performance Indicators

22. A summary of target performance indicators is given in Appendix 3.

Recommendation

23. Members are asked, when deliberating over the content of the report, to:

- consider the outturn position on progress made in delivering the internal audit plan for 2020/21 together with that made by managers in responding to the work of internal audit to gain assurance on the adequacy and effectiveness of the internal control environment.

Tracy Henderson, Interim Audit Manager, Tel: 03000 269668

Appendix 1: Risks and Implications

Finance -

The programme of work undertaken by Internal Audit supports the Council in maintaining safe and efficient arrangements for the proper administration of its financial affairs

Staffing –

None

Risk -

None

Equality and Diversity / Public Sector Equality Duty -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability Issues -

None

Legal Implications -

None

Other Risks

Control risks identified / considered in relation to reviews undertaken

Appendix 2: Summary of the status of work undertaken and recommendations made and implemented

INTERNAL AUDIT SERVICES				High		Medium		Best Practice
Reviews	Schedule	Status	Opinion	M	I	M	I	M
Corporate Governance Risks								
Corporate Governance Arrangements	Q1-4	Complete	N/A	0	0	0	0	0
Risk Management Arrangements	Q4	Complete	N/A	0	0	0	0	0
Financial Management								
Key Financial Systems	Q3-4	Final Report	Substantial	0	0	1	1	8
General Data Protection Regulations (GDPR)	Q4	Final Report	Substantial	0	0	1	0	0
Shotton Hall Bar and Catering		Cancelled	N/A	0	0	0	0	0
Pavilion		Cancelled	N/A	0	0	0	0	0
Leisure Gardens	Q4	Final Report	Moderate	0	0	6	0	1
Cemetery		Cancelled	N/A	0	0	0	0	0
Unplanned Activities								
None								
Management								
Audit Planning and Reporting	Q1-4	Complete	N/A	0	0	0	0	0
Brought Forward 2019-20								
Risk Management Arrangements*	Q1	Final Report	Substantial	0	0	2	2	0
Total				0	0	10	3	9

Note: The Report for the Risk Management Assurance Review* was finalised on 09 April 2020 as part of the 2020/21 reporting period and actions are being tracked accordingly

Appendix 3 Performance Indicators for 2020/21

Efficiency			
Objective: To provide maximum assurance to inform the annual audit opinion			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2021	90% (Quarterly)	100% (6 out of 6 reviews completed)
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90% (Quarterly)	100% (3 out of 3 reports issued) 3 days
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also to be reported for information	95% (Quarterly)	100% (3 out of 3 reports issued) 1 day
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100% (6 TORs issued)
Quality			
Objective: To ensure that the service is effective and adding value			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	100% (19 agreed out of 19 recommendations made)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good Average score is also reported for information	100% (Quarterly)	100% (3 out of 3 returns) Average Score 4.90
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	100% (3 returns from 3 surveys issued in 2020/21)

Appendix 4 Outstanding Audit Recommendations Quarter Ended 31 March 2021

	Audit	Year	Action Owner	Priority	Report Issued	Original Target	Revised Target	Recommendation	Progress Update
01	Capital	2017/18	Town Clerk	Medium	03/01/2018	30/06/2018	30/04/2022 31/03/2021 30/06/2020 31/03/2020 30/06/2019 31/03/2019 31/12/2018	A Service Asset Management Plan be developed and approved by Council.	<p>Updated provided in April 2021 indicated that a Service Asset Management plan will be developed alongside Council Plan and MTFP after the elections in 2021.</p> <p>Updated provided in January 2021 indicated that the draft format and will be presented to Council for approval before 31/3/2021</p>
02	Pavilion	2018/19	Pavilion Centre Manager	Medium	20/05/2019	31/05/2019	30/06/2021 31/03/2021 30/09/2020 31/03/2020 30/06/2019	The Council should examine the feasibility of upgrading / replacing the tills at the reception and bars so void reports can be produced.	<p>Update provided in April 2021 indicated that the Chief Officer & Pavilion Manager have undertaken business process mapping exercise with Pavilion and Finance staff to look at process improvements and to inform specification for a potential new system.</p> <p>Costs currently looking prohibitive compared to potential value, and with the financial impact of COVID it is still not certain whether the Council will look to commission a new system or not.</p> <p>Updated provided in January 2021 indicated that Shotton Hall has ceased commercial operations for the foreseeable future and The Pavilion has been closed throughout COVID and has had a substantial refurbishment and rebranding. Pavilion Manager to bring report to Council before end of 20/21 financial year to coincide with budget request.</p>

PETERLEE TOWN COUNCIL MEETING

28 June 2021

INTERNAL AUDIT ANNUAL REPORT 2020/21



REPORT OF THE HEAD OF INTERNAL AUDIT

Purpose of the Report

1. The purpose of this report is to present the Annual Internal Audit Report for 2020/21, which is attached as Appendix 2.

Background

2. This report fulfils the requirements of Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application note for the Chief Internal Auditor and Corporate Fraud Manager to deliver an annual audit opinion and report that can be used by the Committee to inform its Annual Governance Statement.
3. The Annual Opinion makes conclusions on the overall adequacy and effectiveness of the Council's Framework of governance, risk management and control.
4. Based on work undertaken the Chief Internal Auditor and Corporate Fraud Manager is able to provide a Substantial overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2020/21.
5. This Substantial opinion identifies that there is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risk
6. Delivery of the audit plan had initially been impacted following the onset of the coronavirus pandemic. This resulted in our agreeing to a new way of working with the Council whereby the hardcopy documentation that was required to carry out the audit reviews was collated by the Finance Officer and collected from the Council's premises by the auditor who then carried out the review remotely, working from home, in accordance with the Government guidance. Where required, additional supporting information was obtained electronically by email and meetings were held remotely via telephone.
7. Working in this way, the Chief Internal Auditor and Corporate Fraud Manager is able to provide a Substantial overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2020/21.
8. There are no adverse implications for the Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2020/21. All of the risks raised within Internal Audit reports have been accepted. Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issues, have been agreed to be implemented. Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report. Internal Audit will follow up

the implementation of its recommendations, or any agreed alternative actions, with the relevant responsible officers, as soon as is practically possible, after the target implementation dates. Progress on the implementation of audit recommendations will be reported through to this Committee in future reports on Internal Audit work.

Recommendation

9. Members consider the content of the Annual Internal Audit Report and the overall 'Substantial' opinion provided on the adequacy and effectiveness of the Council's control environment for 2020/21.

Tracy Henderson, Interim Audit Manager, Tel: 03000 269668

Appendix 1: Risks and Implications

Finance

The broad programme of work undertaken by Internal Audit supports the Council in maintaining safe and efficient arrangements for the proper administration of its financial affairs.

Staffing

None

Risk

None

Equality and Diversity / Public Sector Equality Duty

None

Accommodation

None

Crime and Disorder

None

Human Rights

None

Consultation

None

Procurement

None

Disability Issues

None

Legal Implications

None

Other Risks

Control risks identified / considered in relation to reviews undertaken



Internal Audit Annual Report 2020-2021

LIST OF CONTENTS

	PAGE
Introduction	2
Service Provided and Audit Methodology	3
Types of Audit work carried out	3
Audit Quality Assurance Framework	4
Summary of work carried out	5
Key Areas for Opinion	5
Audit Opinion Statement	6

Appendices

Appendix A	Performance Indicators
Appendix B	Key Advice and Consultancy Work Undertaken
Appendix C	Assurance Opinion Methodology
Appendix D	Summary of Assurance Work

Introduction

1. This report summarises work carried out by Durham County Council Internal Audit and Risk Service during 2020/21, as part of the three year Service Level Agreement covering the provision of Internal Audit Services up to 31 March 2022.
2. The report provides assurance on the effectiveness of the Council's control environment, risk management and corporate governance arrangements in place during the year.
3. The requirement for an internal audit function is implied by Section 151 of the Local Government Act 1972 which requires all relevant bodies to, "make arrangements for the proper administration of their financial affairs and ensure that one of its officers has responsibility for the administration of those affairs".
4. The Accounts and Audit Regulations 2015 require those bodies to "undertake an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control".
5. All Internal Audit work carried out in 2020/21 was in accordance with proper internal audit practices as described within the Public Sector Internal Audit Standards (PSIAS).
6. This report fulfils the requirements of PSIAS and the CIPFA Local Government Application Note for the Chief Internal Auditor and Corporate Fraud Manager to deliver an annual audit opinion and a report that can be used by the Committee to inform its Annual Governance Statement.
7. The report sets out:
 - The annual internal audit opinion on the overall adequacy and effectiveness of the governance, risk and control framework (the control environment).
 - A summary of the audit work carried out from which the opinion is derived.
 - Details of the quality assurance arrangements in place during 2020/21.

Service Provided and Audit Methodology

8. Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
9. The primary objective of Internal Audit is to provide an independent and objective opinion on the Council's control environment which is comprised of the systems of governance, risk management and internal control.
10. The audit strategy to provide independent assurance, is summarised as follows:
 - To carry out planned assurance reviews of the effectiveness of the management of operational risks in all key service activities/systems.
 - To carry out assurance reviews of the management of strategic risks where the effective management of risk is heavily dependent on identified controls.
 - To carry out annual reviews of key risks where a high level of assurance is required to demonstrate the continuous effectiveness of internal controls, for example those associated with key financial and non-financial systems.
 - To use a Control Risk Assessment (CRA) methodology to focus audit resources on providing assurance on key controls where there is little or no other independent assurance on their adequacy or effectiveness.

Types of Audit Work Carried Out in 2020/21

Assurance Reviews

11. Assurance reviews are those incorporated into annual audit plans where the CRA methodology is to be applied. They also include service requests to provide assurance on more specific risks within a particular service activity.
12. On completion of each assurance review an opinion on the adequacy and / or the effectiveness of the control framework in place is provided to inform the annual audit opinion.
13. The audit methodology for arriving at audit opinions on individual assurance reviews is attached at **Appendix C**.

Advice and Consultancy Work

14. In addition to planned assurance reviews, provision may also be made in annual audit plans to support service managers by undertaking advice and consultancy type work. The outcomes from this work can also provide assurance on the control framework even though an assurance opinion is not provided on the completion of this work.

Counter Fraud Work

15. Provision is made within audit reviews undertaken to support service managers at an operational level to mitigate the strategic risk of fraud and corruption. Control weaknesses identified when fraud is suspected or proven also impacts on the overall opinion on the adequacy and effectiveness of the internal control system.

Audit Quality Assurance framework

16. The Internal Audit performance and quality framework reflects the requirements of the PSIAS.
17. Key elements of the quality assurance framework operating during 2020/21 include:
 - Independent quality reviews undertaken by Audit Managers as a matter of routine and periodically by the Chief Internal Auditor and Corporate Fraud Manager to ensure consistent application of agreed processes and procedures and to ensure expected quality standards are maintained.
 - Key contacts, determined by the Council, agree the Terms of Reference for each audit review and are able to challenge the findings and content of draft reports prior to them being finalised.
18. A summary of performance against agreed indicators is given in **Appendix A**.
19. As at the 31 March 2021, the % of planned work completed indicated that the service achieved 100% of the audit plan against a 90% target.
20. The Accounts and Audit Regulations 2015 requires that an annual review of the effectiveness of Internal Audit is carried out. The outcome of the review is reported to Committee.
21. The County Council's Audit Committee at its meeting on 29 June 2020 received an evaluation, in the form of a self-assessment carried out by the Chief Internal Auditor and Corporate Fraud Manager, with regards to compliance with the key elements of the PSIAS that considered the following matters:
 - The structure and resourcing level, including qualifications and experience of the audit team;
 - The extent of conformance with the PSIAS in producing quality work;
 - Ensuring audit work was successfully delivered in the most appropriate areas on a prioritised (risk) basis;
 - The overall performance of the Internal Audit team.
22. For 2019/20, this demonstrated that the Section was conforming to the Code's requirements.
23. A self-assessment for 2020/21 is currently being undertaken against the PSIAS and whilst no issues have been identified at the time of writing this report, the final outcome of the review will be reported to County Council's Audit Committee at its meeting on 30 June 2021.

Summary of audit work carried out

Assurance Work

24. Our work programme for the year was determined by the approved Internal Audit Plan. The assurance opinion takes in account the individual opinions provided across all reviews undertaken in year, together with the most recent opinion for those activities not included in the plan in order to provide a better informed opinion on the entire control environment, a summary of which is attached at **Appendix D**.

Advice and Consultancy Work

25. All planned reviews are designed to add value as they provide independent assurance, through evaluation and challenge, on the adequacy and effectiveness of arrangements in place to manage risks. This evaluation and challenge supports the effective and efficient use of resources and VFM.
26. Through our advice and consultancy work we are able to add value pro-actively and reactively.
27. Reactive work involves responding to ad-hoc requests for advice and reviews added to the plan to address new or emerging risks. It also includes responding to potential fraud or irregularities and we ensure that all such incidents are properly investigated and that appropriate action is taken by managers, whether or not fraud or malpractice is proven.
28. A summary of key advice and consultancy work completed during the year is attached at **Appendix B**

Key Areas for Opinion

29. The key areas of the control environment where assurance is required to inform our overall opinion are:
- Financial Management
 - Risk Management
 - Corporate Governance
30. Assurance has been provided on some aspects of key financial systems during the year. Reviews undertaken considered creditors, debtors, income collection and banking, payroll, main accounting and budgetary control.
31. Assurance reviews incorporate a consideration of the Council's Risk and Governance arrangements within each activity inspected.
32. The Council's Strategic Risk Management arrangements were reviewed in year and confirmed that the previous audit recommendations made in the Internal Audit Year 2019/20 have been implemented.

Audit Opinion Statement

33. The Council has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives.
34. Internal Audit is required to provide an opinion on the Council's risk management, control and governance process.
35. In giving this opinion it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in these processes.
36. In assessing the level of assurance to be given, we based our opinion on:
 - All audits undertaken during the year
 - Follow up action on audit recommendations
 - Any significant recommendations not accepted by management and the consequent risk
 - Limitations which may have been placed on the scope of the internal audit
 - Reliability of other sources of assurance when determining the scope of audit reviews.
37. Delivery of the audit plan had initially been impacted following the onset of the coronavirus pandemic. This resulted in our agreeing to a new way of working with the Council whereby the hardcopy documentation that was required to carry out the audit reviews was collated by the Finance Officer and collected from the Council's premises by the auditor who then carried out the review remotely, working from home, in accordance with the Government guidance. Where required, additional supporting information was obtained electronically by email and meetings were held remotely via telephone.
38. We are satisfied, however, that sufficient Internal Audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's system of internal control.
39. Based on work undertaken, and in particular that relating to core financial systems, the Chief Internal Auditor and Corporate Fraud Manager is able to provide a Substantial overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2020/21.
40. This Substantial opinion identifies that there is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risk
41. Where Internal Audit has identified areas for improvement, recommendations are made to minimise the level of risk, and action plans for their implementation were drawn up and agreed by management. Whilst the % of actions implemented within target dates is high, in many cases there is a time gap between a control weakness being reported and the date determined by management for when the action can practically and realistically be implemented. Consequently, the added assurance provided on implementation cannot always be recognised and evidenced in arriving at our overall annual assurance opinion. Work is ongoing with management with regard to timely and realistic implementation dates for actions being agreed.

PERFORMANCE INDICATORS

Efficiency		Objective: To provide maximum assurance to inform the annual audit opinion	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Q4 Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2020.	90% annually	100% (6 out of 6 reviews complete)
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90% (Quarterly)	100% (3 out of 3 reports issued) 3 days average
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also reported for information	95% (Quarterly)	100% (3 out of 3 reports issued) 1 day average
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100% (6 out of 6 TOR's issued)
Quality		Objective: To ensure that the service is effective and adding value	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	100% (19 out of 19 recommendations accepted)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good Average score is also reported for information	100% (Quarterly)	100% (3 out of 3 returns) Average score 4.90
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	100% (3 returns from 3 surveys issued in 2020/21)

ADVICE AND CONSULTANCY WORK UNDERTAKEN IN 2020/2021

Whilst no formal advice and consultancy reviews have been undertaken for the Council during 2020/21, Internal Audit has maintained its links with the Council's key officers to discuss ongoing matters on an ad hoc / informal basis.

ASSURANCE OPINION METHODOLOGY

Findings

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

Impact Rating	Assessment Rationale
Critical	A finding that could have a:
	Critical impact on operational performance (Significant disruption to service delivery)
	Critical monetary or financial statement impact (In excess of 5% of service income or expenditure budget)
	Critical breach in laws and regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)
	Critical impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	Critical impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
Major	A finding that could have a:
	Major impact on operational performance (Disruption to service delivery)
	Major monetary or financial statement impact (1-5% of service income or expenditure budget)
	Major breach in laws, regulations or internal policies and procedures (non compliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)
	Major impact on the reputation of the service within the Council and/or complaints from service users
Minor	A finding that could have a:
	Minor impact on operational performance (Very little or no disruption to service delivery)
	Minor monetary or financial statement impact (less than 1% of service income or expenditure budget)
	Minor breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary or financial statement impact or reputation of the service)

Likelihood	Assessment criteria
Probable	Highly likely that the event will occur (>50% chance of occurring)
Possible	Reasonable likelihood that the event will occur (10% - 50% chance of occurring)
Unlikely	The event is not expected to occur (<10% chance of occurring)

Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	M
	Minor	Major	Critical
	IMPACT		

Priority of our recommendations

We define the priority of our recommendations arising from each overall finding as follows;

High	Action required, that is considered imperative , to improve the control environment so that objectives are not exposed to unacceptable risks through lack of or weaknesses in critical or key controls.
Medium	Action required to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.
Best Practice	The issue merits attention and its implementation will enhance the control environment.

Overall Assurance Opinion

Based upon the ratings of findings and recommendations arising during the audit as summarised in the risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

Substantial Assurance	There is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk.
Limited Assurance	There are weaknesses in key areas in the system of control, which expose objectives to unacceptable levels of risk.

				APPENDIX D
SUMMARY OF ASSURANCE WORK CARRIED OUT				
Audit Area				Latest Opinion
Core Financial Systems				2020/21
Creditors				
Debtors				
Income collection and banking				
Payroll				
Main accounting and budgetary control				
Risk Management				2020/21
General Data Protection Regulations (GDPR)				2020/21
Cemetery				2018/19
Pavilion - Income Collection and Banking				2018/19
Leisure Gardens				2020/21
Parks (note follow up review in 2019/20 identified all actions implemented)				2018/19
Activities and Events				2017/18
Shotton Hall Bar and Catering				2017/18
Capital				2017/18
Overall Opinion				
Assurance Opinion	Substantial	Moderate	Limited	
Key				

Annual Governance and Accountability Return 2020/21 Part 3

To be completed by Local Councils, Internal Drainage Boards and other Smaller Authorities*:

- where the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; or
- where the higher of gross income or gross expenditure was £25,000 or less but that:
 - are unable to certify themselves as exempt (fee payable); or
 - have requested a limited assurance review (fee payable)

Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2020/21

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Part 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with *Proper Practices*.
2. **The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:**
 - The **Annual Internal Audit Report** **must** be completed by the authority's internal auditor.
 - **Sections 1 and 2** **must** be completed and approved by the authority.
 - **Section 3** is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved and published on the authority website/webpage **before 1 July 2021**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or is requesting a limited assurance review, **must** return to the external auditor by email or post (not both) **no later than 30 June 2021**. Reminder letters will incur a charge of £40 +VAT:
 - the Annual Governance and Accountability Return Sections 1 and 2, together with
 - a bank reconciliation as at 31 March 2021
 - an explanation of any significant year on year variances in the accounting statements
 - notification of the commencement date of the period for the exercise of public rights
 - Annual Internal Audit Report 2020/21

Unless requested, do not send any additional documents to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed the limited assurance review and is able to give an opinion, the Annual Governance and Accountability **Section 1, Section 2 and Section 3 – External Auditor Report and Certificate** will be returned to the authority by email or post.

Publication Requirements

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

Before 1 July 2021 authorities **must** publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- **Section 1 - Annual Governance Statement 2020/21**, approved and signed, page 4
- **Section 2 - Accounting Statements 2020/21**, approved and signed, page 5

Not later than 30 September 2021 authorities **must** publish:

- Notice of conclusion of audit
- **Section 3 - External Auditor Report and Certificate**
- **Sections 1 and 2 of AGAR** including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

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

Guidance notes on completing Part 3 of the Annual Governance and Accountability Return (AGAR) 2020/21

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this AGAR. *Proper Practices* are found in the *Practitioners' Guide** which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the AGAR is complete (no highlighted boxes left empty), and is properly signed and dated. If the AGAR contains unapproved or unexplained amendments, it may be returned and additional costs will be incurred.
- The authority **should** receive and note the Annual Internal Audit Report before approving the Annual Governance Statement and the accounts.
- Use the checklist provided below to review the AGAR for completeness before returning it to the external auditor by email or post (not both) no later than 30 June 2021.
- The Annual Governance Statement (Section 1) must be approved on the same day or before the Accounting Statements (Section 2) and evidenced by the agenda or minute references.
- The Responsible Financial Officer (RFO) must certify the accounts (Section 2) before they are presented to the authority for approval. The authority must in this order; consider, approve and sign the accounts.
- The RFO is required to commence the public rights period as soon as practical after the date of the AGAR approval.
- Do not send the external auditor any information not specifically requested. However, **you must inform your external auditor about any change of Clerk, Responsible Financial Officer or Chairman, and provide relevant authority owned generic email addresses and telephone numbers.**
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the AGAR covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (**Section 2, page 5**). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide**.
- Explain fully significant variances in the accounting statements on **page 5**. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the full variance.
- If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or variances are not fully explained, additional costs may be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2020) equals the balance brought forward in the current year (Box 1 of 2021).
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the commencement date for the exercise of public rights of 30 consecutive working days which **must** include the first ten working days of July.
- The authority **must** publish on the authority website/webpage the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor **before 1 July 2021**.

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?		
	Has all additional information requested, including the dates set for the period for the exercise of public rights , been provided for the external auditor?		
Internal Audit Report	Have all highlighted boxes been completed by the internal auditor and explanations provided?		
Section 1	For any statement to which the response is 'no', has an explanation been published?		
Section 2	Has the authority's approval of the accounting statements been confirmed by the signature of the Chairman of the approval meeting?		
	Has an explanation of significant variations from last year to this year been published?		
	Has the bank reconciliation as at 31 March 2021 been reconciled to Box 8?		
	Has an explanation of any difference between Box 7 and Box 8 been provided?		
Sections 1 and 2	Trust funds – have all disclosures been made if the authority as a body corporate is a sole managing trustee? NB: do not send trust accounting statements unless requested.		

**Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices*, can be downloaded from www.nalc.gov.uk or from www.ada.org.uk

Annual Internal Audit Report 2020/21

Peterlee Town Council

www.peterlee.gov.uk

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
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. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")			✓
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.	✓		
M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

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

Date(s) internal audit undertaken

08/12/2020

18/02/2021

23/02/2021

Name of person who carried out the internal audit

Stephen Carter

Signature of person who carried out the internal audit

S Carter

Date

17/05/2021

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Section 1 – Annual Governance Statement 2020/21

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for 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 2021, that:

	Agreed		'Yes' means that this 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.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
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 authority to conduct its business or manage its finances.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
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.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>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.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>
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 authority and, where appropriate, have included them in the accounting statements.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
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	N/A
			<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

SIGNATURE REQUIRED

Clerk

SIGNATURE REQUIRED

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

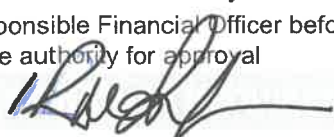
Section 2 – Accounting Statements 2020/21 for

Peterlee Town Council

	Year ending		Notes and guidance
	31 March 2020 £	31 March 2021 £	
1. Balances brought forward	1,199,899	609,537	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	1,280,444	1,296,004	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	764,471	498,418	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	1,302,042	1,152,571	Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.
5. (-) Loan interest/capital repayments	50,452	50,452	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	1,282,783	835,518	Total expenditure or payments as recorded in the cash-book less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	609,537	365,418	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	869,750	392,245	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	6,345,308	6,494,666	The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.
10. Total borrowings	916,745	907,444	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, as a body corporate, 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 2021 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval



18/06/2021

Date

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

28/06/2021

as recorded in minute reference:

Signed by Chairman of the meeting where the Accounting Statements were approved

Section 3 – External Auditor’s Report and Certificate 2020/21

In respect of

ENTER NAME OF AUTHORITY

1 Respective responsibilities of the auditor and the authority

Our responsibility as auditors to complete a **limited assurance review** is set out by the National Audit Office (NAO). A limited assurance review is **not a full statutory audit**, it does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and hence it **does not** provide the same level of assurance that such an audit would. The UK Government has determined that a lower level of assurance than that provided by a full statutory audit is appropriate for those local public bodies with the lowest levels of spending.

Under a limited assurance review, the auditor is responsible for reviewing Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with NAO Auditor Guidance Note 02 (AGN 02) as issued by the NAO on behalf of the Comptroller and Auditor General. AGN 02 is available from the NAO website – <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2021; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

2 External auditor’s limited assurance opinion 2020/21

(Except for the matters reported below)* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

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

(continue on a separate sheet if required)

3 External auditor certificate 2020/21

We certify/do not certify* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2021.

*We do not certify completion because:

External Auditor Name

ENTER NAME OF EXTERNAL AUDITOR

External Auditor Signature

SIGNATURE REQUIRED

Date

DD/MM/YY

Joint Panel on
Accountability and
Governance
Practitioners'
Guide

March 2021

**National Association
of Local Councils**

www.nalc.gov.uk/jpag

CONTENTS

Introduction	5
Foreword	6
Section one — The Annual Governance Statement	8
Introduction	8
Annual Governance Statement assertions	8
Assertion 1 — Financial management and preparation of accounting statements	8
Assertion 2 — Internal control	9
Assertion 3 — Compliance with laws, regulations and proper practices	11
Assertion 4 — Exercise of public rights	12
Assertion 5 — Risk management	12
Assertion 6 — Internal Audit	13
Assertion 7 — Reports from Auditors	13
Assertion 8 — Significant events	13
Assertion 9 — Trust Funds (local councils only)	14
Approval process	14
Section two — The statement of accounts	15
Introduction	15
Accounting statements	16
Line 1 — Balances brought forward	16
Line 2 — Precept or rates and levies	16
Line 3 — Total other receipts	16
Line 4 — Staff costs	17
Line 5 — Loan interest/capital repayments	17
Line 6 — All other payments	18
Line 7 — Balances carried forward	18
Line 8 — Total value of cash and short-term investments	18
Line 9 — Total fixed assets plus long-term investments and assets	19
Line 10 — Total borrowings	19
Line 11 — Disclosure note re trust funds (local councils only)	19
Signature of responsible finance officer	19
Signature of chairman	20
Accompanying information	20
Section three — Proper practices in accounts for a small authority	22

Introduction	22
Proper practices – statement of accounts	22
Proper practices – annual governance statement	22
Section four — Best practice guidance for internal audit	23
Introduction	23
Selecting and appointing an internal audit provider	23
Independence	24
Competence	24
Engagement	24
Planning and oversight	25
Internal Audit Checklist	25
Reporting on Internal Audit	31
Section five — Supporting information and practical examples	33
Introduction	33
Annual Governance Statement (AGS)	33
AGS Assertion 1 — Financial management and preparation of accounting statements	33
AGS Assertion 2 — Internal control	39
AGS Assertion 3 — Compliance with laws, regulations and proper practices	44
AGS Assertion 4 — Exercise of public rights	45
AGS Assertion 5 — Risk management	47
AGS Assertion 6 — Internal audit	50
AGS Assertion 7 — Reports from auditors	51
AGS Assertion 8 — Significant events	51
AGS Assertion 9 — Trust funds (local councils only)	51
Accounting statements	52
Reporting on an income and expenditure basis	52
Accounting for joint arrangements	55
Total other receipts (Line 3)	56
Loan interest/capital repayments (Line 5)	56
Total value of cash and short-term investments (Line 8)	56
Total fixed assets plus long-term investments and assets (Line 9)	57
Total borrowings (Line 10)	59
Accompanying information	59
Section six — Appendix	63

Annual Governance Statements	63
Flow chart one — All other authorities	63
Flow chart two — Parish meetings	68
Example documents	69
Bank reconciliation	72
Risk register	72
Step-by-step guide to completing the AGAR	73
Terms of reference	77

INTRODUCTION

The Joint Panel on Accountability and Governance (JPAG) is responsible for issuing proper practices about the governance and accounts of smaller authorities. Its membership consists of sector representatives from the National Association of Local Councils (NALC), the Society of Local Council Clerks and the Association of Drainage Authorities. Together with stakeholder partners representing the Ministry of Housing, Communities and Local Government, the Department of Environment, Food and Rural Affairs, the Chartered Institute of Public Finance and Accountancy, the National Audit Office, and a representative of the external audit firms appointed to smaller authorities.

JPAG's members are as follows:

- Phil Camamile, Water Management Alliance (independent chair)
- Derek Kemp, National Association of Local Councils (vice-chair)
- Crispin Taylor, Society of Local Council Clerks
- Karen Daft, Association of Drainage Authorities
- Matthew Hemsley, Ministry of Housing, Communities and Local Government
- Paul Lambert, Department of Environment, Food and Rural Affairs
- Laura Deery, Chartered Institute of Public Finance and Accountancy
- Andrew Kendrick, National Audit Office
- Rebecca Plane and Jane Sheridan, Smaller Authorities' Auditors Group
- Mike Attenborough-Cox, Smaller Authorities' Audit Appointments Ltd (independent member)

NALC provides the secretariat to the JPAG.

JPAG's terms of reference can be found in Section 6.

All queries should be sent to jpagchair@wlma.org.uk.

FOREWORD

The Practitioners' Guide ('the guide') is issued by the Joint Panel on Accountability and Governance (JPAG) to support the preparation by smaller authorities in England of statutory annual accounting and governance statements found in the Annual Governance and Accountability Return.

This 2021 edition of the Guide applies in respect of financial years commencing on or after 1 April 2021. Thus the 'proper practices' laid down in Sections 1 and 2 of this edition of the Guide must be applied in the financial year ending 31 March 22 and the Annual Governance and Accountability Return ('AGAR') for the year ending 31 March 2022 ('the 2022 AGAR') must be prepared in accordance with Sections 1 and 2 of this edition of the Guide. Note that the comparative figures (the figures for the year ended 31 March 2021 included in the 2022 AGAR) must be stated on the same basis as the figures for the year ending 31 March 2022.

The 'proper practices' in this edition of the guide may be applied in preparing the AGAR for the year ending 31 March 2021 but this is not mandatory. Again, comparative figures must be stated on the same basis.

In accordance with Section 6 of the Local Audit and Accountability Act 2014, an authority is a 'smaller authority' if the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5m. For the purposes of the Accounts and Audit Regulations 2015, a smaller authority may also be referred to as a 'Category 2 authority'. This guide uses the term 'authority' to refer to all types of smaller authority. For the purposes of the Practitioners' Guide this will include local councils (parish and town councils), parish meetings, internal drainage boards and 'other' authorities (including charter trustees, conservation bodies, port health authorities, harbour boards and crematorium boards).

Smaller authorities with no financial transactions meet their responsibility to produce accounts by completing Part 1 of the Annual Governance and Accountability Return.

Smaller authorities where the higher of gross income or gross expenditure was £25,000 or less, that meet the eligibility criteria set out in Regulation 9(3) of the Local Audit (Smaller Authorities) Regulations 2015, and that wish to certify themselves as exempt from a limited assurance review should complete Part 2 of the Annual Governance and Accountability Return.

All remaining smaller authorities should complete Part 3 of the Annual Governance and Accountability Return.

It is important to complete these returns to time and in line with the requirements set out here and in the AGAR.

Section 1, 2 and 3 of this guide represents the proper accounting and governance practices ('proper practices') referred to in statute. They set out for responsible financial officers the appropriate standard of financial and governance reporting for smaller authorities and are mandatory. Although a parish meeting is a relevant authority, there are some circumstances where legislative requirements differ. As a result, JPAG has agreed the way in which proper practices set out in this Practitioners' Guide apply differently to parish meetings, and separate AGARs (suffixed PM) have been produced for this purpose:

- a) The chairman of the parish meeting should sign the Annual Governance and Accountability Return and Exemption Certificate where appropriate
- b) It will be acceptable for parish meetings with no website to publish their notices on a noticeboard for a period of 14 days, as required by 22(5)(b)(ii) of the Accounts and Audit Regulations 2015, in relation to public rights and exemption from a limited assurance review.

Section 4 of the guide sets out the non-statutory best practice guidance relating to internal audit which authorities are required to consider.

Section 5 of the guide provides supporting information and practical examples to assist smaller authorities to manage their governance and financial affairs and is not mandatory.

The guide is intended as a working tool for smaller authorities, providing not only the common 'rules' for completing an Annual Governance and Accountability Return for use by responsible financial officers, but also as a reference work for auditors, both internal and external, members, other officers and the public to aid understanding of the Annual Governance and Accountability Return and the reporting on the smaller authority's governance and finances within it.

For this reason, the guide is written with the intention to be as widely accessible as possible to all users within the constraints of it also representing the appropriate standards for public reporting by smaller authorities.

JPAG is committed to a regular review of the guide to ensure that it remains fit for purpose for all smaller authorities in England. The guide is supported by the technical support teams at SLCC, NALC and ADA where you may address any questions about the content of the guide or suggestions for its improvement.

SECTION ONE — THE ANNUAL GOVERNANCE STATEMENT

Introduction

- 1.1 The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.
- 1.2 This guide represents the proper practices in relation to accounts that smaller authorities need to follow in preparing their annual governance statement.
- 1.3 The purpose of the annual governance statement is for an authority to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.
- 1.4 Smaller authorities prepare their annual governance statement by completing Section 1 of the Annual Governance and Accountability Return. This is in the form of a number of statements, known as assertions, to which the authority needs to answer 'Yes' or 'No'. This guide follows the order of Section 1 of the Annual Governance and Accountability Return and sets out the actions that authorities need to have taken either during the financial year or after the financial year-end to answer 'Yes' to each assertion.
- 1.5 The authority needs to have appropriate evidence to support a 'Yes' answer to an assertion, for example a reference in a set of formal minutes.
- 1.6 If an authority is not able to respond 'Yes' to any assertion, it needs to provide an explanation to the external auditor on a separate sheet describing how the authority will address the weaknesses identified. These explanations must be published along with the completed AGAR.
- 1.7 To assist practitioners, a pro-forma Annual Governance and Accountability Return is available alongside this guide.

Annual Governance Statement assertions

Assertion 1 — Financial management and preparation of accounting statements

We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements. To warrant a positive response to this assertion, the following processes need to be in place and effective:

- 1.8 **Budgeting** — The authority needs to prepare and approve a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial year. It needs to monitor actual performance against its budget during the year, taking corrective action where necessary. A financial appraisal needs to be undertaken

before the authority commences any significant project or enters into any long-term commitments.

- 1.9 Accounting records and supporting documents — All authorities, other than parish meetings where there is no parish council, need to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972. Section 150(6) of the same Act makes the chairman of a parish meeting (where there is no parish council) responsible for keeping its accounts. The authority needs to have satisfied itself that its Responsible Finance Officer (RFO) has determined a system of financial controls and discharged their duties under **Regulation 4 of the Accounts and Audit Regulations 2015**. The RFO needs to have put in place effective procedures to accurately and promptly record all financial transactions, and maintain up to date accounting records throughout the year, together with all necessary supporting information. The accounting statements in Section 2 of the Annual Governance and Accountability Return need to agree to the underlying records.
- 1.10 Bank reconciliation — Statements reconciling each of the authority's bank accounts with its accounting records need to be prepared on a regular basis, including at the financial year-end, and reviewed by members of the authority.
- 1.11 Investments — Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements are invested appropriately, in accordance with an approved strategy which needs to have regard to MHCLG's statutory Guidance on local government investments. If total investments are to exceed the threshold specified in MHCLG's statutory guidance at any time during a financial year, an authority needs to produce and approve an annual Investment Strategy in accordance with the MHCLG guidance.
- 1.12 Statement of accounts — The authority needs to ensure that arrangements are in place to enable preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices.
- 1.13 Reserves — The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves. Supporting information on financial management and preparation of accounting statements can be found in Section 5.

Assertion 2 — Internal control

We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.

In order to warrant a positive response to this assertion, the following processes need to be in place and effective:

- 1.14 Standing Orders and Financial Regulations. The authority needs to have in place standing orders and financial regulations governing how it operates. Financial

regulations need to incorporate provisions for securing competition and regulating the manner in which tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to.

- 1.15 Safe and Efficient Arrangements to Safeguard Public Money. Practical and resilient arrangements need to exist covering how the authority orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts. Authorities need to have in place safe and efficient arrangements to safeguard public money. Where doubt exists over what constitutes money, the presumption is that it falls within the scope of this guidance.
- 1.15.1 Authorities need to review regularly the effectiveness of their arrangements to protect money. Every authority needs to arrange for the proper administration of its financial affairs and ensure that one of its officers (the RFO) has formal responsibility for those affairs (see paragraph 1.9 above).
- 1.15.2 Authorities need to ensure controls over money are embedded in Standing Orders and Financial Regulations. Section 150(5) of the Local Government Act 1972 required cheques or orders for payment to be signed by two elected members. Whilst this requirement has now been repealed, the 'two-member signatures' control needs to remain in place until such time as the authority has put in place safe and efficient arrangements in accordance with paragraphs 1.15.3 to 1.15.6 of this guide.
- 1.15.3 Authorities need to approve the setting up of, and any changes to, accounts with banks or other financial institutions. Authorities also need to approve any decisions to enter into 'pooling' or 'sweep' arrangements whereby the bank periodically aggregates the authority's various balances via automatic transfers.
- 1.15.4 If held, corporate credit card accounts need to have defined limits and be cleared monthly by direct debit from the main bank account. Credit card balances are not acceptable reconciling items for bank reconciliation purposes.
- 1.15.5 The authority needs to approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.
- 1.15.6 Risk assessment and internal controls need to focus on the safety of the authority's assets, particularly money. Those with direct responsibility for money need to undertake appropriate training from time to time.
- 1.16 Employment — The remuneration payable to all employees needs to be approved in advance by the authority. In addition to having robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities, the authority needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations.
- 1.17 VAT — The authority needs to have robust arrangements in place for handling its responsibilities with regard to VAT.
- 1.18 Fixed Assets and Equipment — The authority's assets need to be secured, properly maintained and efficiently managed. Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt.

- 1.19 Loans and long-term liabilities — Authorities need to ensure that any loan or similar commitment is only entered into after the authority is satisfied that it can be afforded and that relevant approvals have been obtained. Proper arrangements need to be in place to ensure that funds are available to make repayments of capital and any associated interest and other liabilities.
- 1.20 Review of effectiveness — **Regulation 6 of the Accounts and Audit Regulations 2015** requires the authority to conduct each financial year a review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement.
- 1.21 Supporting information on internal control can be found in Section 5.

Assertion 3 — Compliance with laws, regulations and proper practices

We took all reasonable steps to assure ourselves that there are no matters of actual or potential noncompliance 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.

In order to warrant a positive response to this assertion, the following processes need to be in place and effective:

- 1.22 Acting within its powers — All authorities' actions are controlled by statute. Therefore, appropriate decision-making processes need to be in place to ensure that all activities undertaken fall within an authority's powers to act. In particular authorities need to have robust procedures in place to prevent any decisions or payments being made that are ultra vires, i.e. that the authority does not have the lawful power to make. The exercise of legal powers needs always to be carried out reasonably. For that reason, authorities making decisions need always to understand the power(s) they are exercising in the context of their decision making.
- 1.23 General power of competence — In particular an authority seeking to exercise a general power of competence under the Localism Act 2011 needs to ensure that the power is fully understood and exercised in accordance with the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012.
- 1.24 Regulations and proper practices — Procedures need to be in place to ensure that an authority's compliance with statutory regulations and applicable proper practices is regularly reviewed and that new requirements, or changes to existing ones, are reported to members and applied. Authorities need to have particular regard to the requirements of the Accounts and Audit Regulations 2015.
- 1.25 Actions during the year — An authority needs to have satisfied itself that it has not taken any decision during the year, or authorised any action, that exceeds its powers or contravenes any laws, regulations, or proper practices.
- 1.26 Supporting information on compliance with laws, regulations and proper practices can be found in Section 5.

Assertion 4 — Exercise of public rights

We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.

In order to warrant a positive response to this assertion the authority needs to have taken the following actions in respect of the previous year's Annual Governance and Accountability Return:

- 1.27 Exercise of public rights. The authority provided for the exercise of public rights set out in Sections 26 and 27 of the Local Audit and Accountability Act 2014. Part 5 of the Accounts and Audit Regulations 2015 requires the RFO to have published, including on the authority's website or other website:
 - Sections 1 and 2 of the Annual Governance and Accountability Return;
 - a declaration that the status of the statement of accounts is 'unaudited'; and
 - a statement that sets out details of how public rights can be exercised, as set out in Regulation 15(2)(b), which includes the period for the exercise of public rights.
- 1.28 External Auditor's Review — A notice of the conclusion of the external auditor's limited assurance review of the Annual Governance and Accountability Return, together with relevant accompanying information, was published (including on the authority's website or other website) in accordance with the requirements of Regulation 16 the Accounts and Audit Regulations 2015.
- 1.29 A parish meeting may meet the publication requirements by displaying the information in question in a conspicuous place in the area of the authority for at least 14 days.
- 1.30 Supporting information on the exercise of public rights can be found in Section 5.

Assertion 5 — Risk management

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.

In order to warrant a positive response to this assertion, the authority needs to have the following arrangements in place:

- 1.31 Identifying and assessing risks — The authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.
- 1.32 Addressing risks — Having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.

1.33 Supporting information on risk management can be found in Section 5.

Assertion 6 — Internal Audit

We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

In order to warrant a positive response to this assertion, the authority needs to have taken the following actions:

- 1.34 Internal audit — The authority needs to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes considering internal auditing guidance for smaller authorities.
- 1.35 Provision of information — The authority needs to ensure it has taken all necessary steps to facilitate the work of those conducting the internal audit, including making available all relevant documents and records and supplying any information or explanations required.
- 1.36 Non-statutory guidance on internal audit can be found in Section 4.

Assertion 7 — Reports from Auditors

We took appropriate action on all matters raised in reports from internal and external audit.

- 1.37. To warrant a positive response to this assertion, the authority needs to have considered all matters brought to its attention by its external auditor and internal audit and taken corrective action as appropriate.
- 1.38. Supporting information on reports from auditors can be found in Section 5.

Assertion 8 — Significant events

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.

To warrant a positive response to this assertion, the authority needs to have taken the following actions where necessary:

- 1.39. Significant events — The authority needs to have considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the authority's finances. If any such events are identified,

the authority then needs to determine whether the financial consequences need to be reflected in the statement of accounts.

1.40. Supporting information on significant events can be found in Section 5.

Assertion 9 — Trust Funds (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.

1.41. Where a local authority acts as a sole managing trustee for a trust or trusts, to warrant a positive response to this assertion the authority needs to have made sure that it has discharged all of its responsibilities with regard to the trust's finances. This needs to include financial reporting and, if required, independent examination or audit. This is notwithstanding the fact that the financial transactions of the trust do not form part of the authority's accounts and are therefore not included in the figures reported on Section 2 of its Annual Governance and Accountability Return (see paragraph 2.30 below).

1.42. Supporting information on trust funds can be found in Section 5.

Approval process

1.43. The authority needs to approve the annual governance statement by resolution of members of the authority meeting as a whole, in advance of the authority approving the accounting statements in Section 2 of the Annual Governance and Accountability Return. The Chair of the meeting and the Clerk need to sign and date the annual governance statement and a minute reference entered.

SECTION TWO — THE STATEMENT OF ACCOUNTS

Introduction

- 2.1. The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require all authorities to prepare a statement of accounts for each financial year in accordance with proper practices. This guide presents the proper practices in relation to accounts that smaller authorities need to follow in preparing their annual accounts and follows the order set out in Section 2 of the Annual Governance and Accountability Return. To assist practitioners, a pro-forma Annual Governance and Accountability Return is available alongside this guide.
- 2.2. For smaller authorities the statement of accounts needs to be prepared in accordance with, and in the form specified in, any Annual Governance and Accountability Return required by these proper practices in relation to accounts. Smaller authorities with no financial transactions meet their responsibility to produce accounts by completing Part 1 of the Annual Governance and Accountability Return.
- 2.3. Section 2 of the Annual Governance and Accountability Return is a smaller authority's statement of accounts and takes the form of a summary income and expenditure account and a statement of balances. Where an authority's gross income or expenditure is not more than £200,000 for that year, or for either of the two immediately preceding financial years, the statement may take the form of a summary receipts and payments account.
- 2.4. An authority's statement of accounts needs to be in the form set out in Section 2 of the Annual Governance and Accountability Return. The figures entered in the relevant cells are the authority's receipts and payments for the year, or its income and expenditure, as appropriate. This guide assumes that most authorities maintain current records on a receipts and payments basis and convert these to income and expenditure at the year end, if necessary. Information and examples on the conversion process from receipts and payments to income and expenditure is provided in Section 5 and does not form part of proper practices.
- 2.5. All highlighted cells of the Annual Governance and Accountability Return need to be completed, including writing 'nil' or '0' in any cell that does not apply. Leaving cells blank may lead to questions by readers who may not be sure if the compiler intended a nil balance or whether an omission or error has occurred.
- 2.6. All figures in Section 2 of the Annual Governance and Accountability Return need to agree to the authority's primary accounting records. The RFO needs to be able to show how the figures in the Annual Governance and Accountability Return reconcile to those in the cashbook and other primary accounting records. Members need to see this reconciliation when they are asked to approve the statement of accounts in the Annual Governance and Accountability Return. Interested persons inspecting the accounts have a legal right to inspect the accounting records and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records, including this reconciliation.

- 2.7. The accounting statements present two years' accounts for the authority, side by side. The prior year figures can be taken directly from the previous year's Annual Governance and Accountability Return or, if this is the first year of accounts, the prior year figures will all be £0.
- 2.8. The figures for the preceding financial year are shown in the first column so that members, local electors, residents and other interested parties can easily see any significant changes that have occurred during the current year and help to set the context in which the accounts need to be viewed.
- 2.9. Where an error has been identified in the prior year's accounts, after the external auditor's review, which has resulted in the carried forward figure in Line 7 being amended, then the corrected figure needs to be carried forward to the current year's Annual Governance and Accountability Return. The authority must clearly indicate that the prior year column in the accounting statements is 'Restated' and inform the external auditor.
- 2.10. Authorities that change the basis on which their accounts are presented, i.e. from income and expenditure to receipts and payments (or vice versa), need to ensure that the comparative accounts in the Annual Governance and Accountability Return are shown on a consistent basis and are reported in Section 2 of the Annual Governance and Accountability Return by adding the word 'Restated' at the top of the prior year column, and explained by means of a note to the auditor.
- 2.11. Authorities that participate in joint arrangements/committees must ensure that their own accounting records fully and accurately reflect the authority's appropriate share of joint arrangement/committee reserves, income, expenditure, assets and liabilities. Detailed guidance is given in Section 5 (paragraphs 5.133 to 5.138).

Accounting statements

Line 1 — Balances brought forward

- 2.12. This cell shows the opening figure for the summary of the smaller authority's annual accounts. It is the closing balance carried forward from the previous year's accounting statements – see paragraph 2.19 below. The amount in the current year cell in Line 1 should be the same figure as the 'balances carried forward' figure in the prior year column at Line 7.

Line 2 — Precept or rates and levies

- 2.13. For precepting authorities, this cell shows the total precept received or receivable in the year. For internal drainage boards this cell shows the total of rates and special levies received or receivable in the year. This cell should contain only the value of precepts or rates and levies received or receivable in the year. Any other receipts, including grants, are to be included in Line 3.

Line 3 — Total other receipts

- 2.14. This cell shows the authority's total income or receipts for the year, less the precept or rates and levies figure shown in Line 2. It will therefore include any repaid investments and loans, any monies borrowed to finance projects, proceeds from the sale of fixed assets, fees, charges, and grants such as council tax support grant.
- 2.15. Compilers of the accounting statements must exclude from the figure shown in Line 3 the value of any transactions recorded in the authority's accounting records arising from daily cash management activities. These transactions include transfers between bank current and deposit accounts and other short-term deposits. It is correct to record such transactions in the cash book for control and reconciliation purposes. However, they are not reported in the accounting statements because these transfers do not represent either receipts or payments, or income or expenditure for the authority.
- 2.15a. 'Total other receipts' for the year should include the Community Infrastructure Levy passed to a local council under Regulation 59A of the Community Infrastructure Regulations 2010 and received by the authority, in the year in which it is received by the authority.
- 2.15b. 'Total other receipts' for the year should include all grants received by the authority, in the year in which they are received by the authority.

Line 4 — Staff costs

- 2.16. This cell shows all the costs to the authority relating to the employment of its staff. Staff costs for the purpose of Line 4 include gross salary of employees, employer's national insurance contributions, employers pension contributions, gratuities for employees or former employees and severance or termination payments to employees. The following are not staff costs for the purpose of Line 4; mileage and other travelling and subsistence allowances, "Home working allowance" that is, an allowance paid to cover the extra costs of working from home, the provision of work related training, the reimbursement of childcare or other carers costs, the reimbursement of a staff members subscription to the Society of Local Council Clerks, the provision of office supplies such as laptop, scanner or stationery and consultants and agency staff. The definition of "staff costs" for the purposes of Line 4 may differ from what is, or is not, treated as taxable earnings by HMRC. In as much as this is a change of reporting basis, corresponding figures from the preceding year must be restated in a similar basis.

Line 5 — Loan interest/capital repayments

- 2.17. This cell shows the total of capital and interest payments made by the authority in the year. It includes repayment of loan principal, whether as part of a scheduled repayment plan or as a special payment, and interest arising from any borrowing including bank overdrafts and credit cards.

2.18. Authorities preparing income and expenditure accounts need to make a provision in their accounts for any accrued interest payable at the year-end in accordance with the terms of any loan. The accrued value of unpaid interest due would be shown in this cell.

Line 6 — All other payments

2.19. This cell shows the authority's total expenditure or payments made in the year, less the total of the specific expenditure amounts shown in Lines 4 and 5. It will include the costs of purchasing fixed assets and undertaking capital projects as well as the costs of providing day to day services. Payments made in respect of investments and long-term loans made need to be included, but not entries that result from daily cash management activities, such as transfers between bank current and deposit accounts or the making of short-term investments – see 2.12 above.

Line 7 — Balances carried forward

2.20. This cell shows the closing figure for the balances of the authority after all of its financial transactions have been accounted for. The cell value is calculated by adding the amounts in Lines 2 and 3 to the balances brought forward in Line 1 and then deducting the sum of the amounts in Lines 4, 5 and 6.

Line 8 — Total value of cash and short-term investments

2.21. This cell shows the actual value of the authority's cash and short-term investments in the form of cash held, current and deposit accounts plus any short-term investments. The figure should be equal to the corresponding figure in the authority's cash book.

2.22. Short-term investments, which mainly include deposit and savings accounts typically provided by banks, are those that display the following characteristics:

- a) are denominated in pounds Sterling;
- b) have a maturity of 12 months or less;
- c) the whole of the original sum invested can, from the time that the investment is made, be accessed for use by the authority without any reduction; and
- d) the authority has assessed the counterparty and is satisfied that the original sum invested is not subject to unreasonable risk.

2.23. For authorities preparing accounts on a receipts and payments basis, the figure in Cell 8 will be the same as that shown at Cell 7. For other authorities a statement needs to be prepared explaining the difference by reference to the adjustments that have been made to convert the accounts to an income and expenditure basis, particularly accounting for debtors, creditors and provisions. Further information and examples on converting accounts from receipts and payments to income and expenditure are provided in Section 5.

2.24. The authority will need to reconcile this figure to its year-end bank account statements and submit the reconciliation to the external auditor. Further information on bank reconciliations can be found in Section 5.

Line 9 — Total fixed assets plus long-term investments and assets

- 2.25. This cell shows the value of all the fixed assets and long-term investments the authority owns. It is made up of its fixed assets and long-term investments. The term fixed assets mean the property, plant and equipment used by the authority to deliver its services. A long-term investment arises where the authority invests money in anything other than a short-term investment.
- 2.26. Authorities need to maintain a register of the fixed assets, long-term investments and other non-current assets that they hold.
- 2.27. The value of the cell at Line 9 is taken from the authority's asset register which is up-to-date at 31 March and includes all acquisition and disposal transactions recorded in the cash-book during the year. Long term loan assets should be included at the amount originally advanced, less any subsequent repayments. Authorities need to apply a reasonable approach to asset valuation which is consistent from year to year. Where an authority changes its method of asset valuation during a financial year, it will need to restate the prior year's figure in Line 9 of the Annual Governance and Accountability Return.
- 2.28. Further information on fixed assets and long-term investments can be found in Section 5.

Line 10 — Total borrowings

- 2.29. This cell shows the outstanding capital balance of all borrowings from third parties at the end of the year, including all loans but excluding bank overdrafts. Authorities need to maintain a record of all borrowings and similar credit arrangements entered into, other than temporary bank overdrafts. Further information can be found in Section 5.

Line 11 — Disclosure note re trust funds (local councils only)

- 2.30. This cell requires a local council only to answer 'yes' or 'no' to whether it acts as sole trustee for, and is responsible for managing, Trust funds or assets. The council needs to ensure that the accounting statements in Section 2 of the Annual Governance and Accountability Return do not include any Trust transactions or balances (see paragraph 1.41 above).

Signature of responsible finance officer

- 2.31. Notwithstanding who prepared the statement of accounts, it is the responsibility of the authority's RFO to certify it as either presenting fairly the financial position of the

authority or properly presenting its receipts and payments, as the case may be. In so certifying the RFO confirms that proper practices have been followed in preparing the statement of accounts.

Signature of chairman

- 2.32. After the RFO has signed the statement of accounts, the members of the authority meeting as a whole need to consider it and approve it by resolution. Alongside the RFO's certificate, the person presiding at the meeting at which the statement of accounts is approved needs to confirm, by signing and dating the statement at the bottom of Section 2 of the Annual Governance and Accountability Return, that the accounts have been approved by the authority in accordance with the Accounts and Audit Regulations 2015.
- 2.33. The authority needs to ensure that the accounting statements are signed by the RFO and approved by the authority, by the latest date in order for the RFO to comply with the duty to commence the period for the exercise of public rights so that it includes the first ten working days of July.

Accompanying information

- 2.34. There is no provision in the Annual Governance and Accountability Return (AGAR) for additional notes to explain and expand on the figures shown in the accounting statements. To address this, authorities need to provide the following accompanying information to the external auditor, where Part 3 of the AGAR is subject to review by the external auditor.

Explanation of variances:

- 2.35. Authorities need to understand the changes in income and expenditure from year to year and their significance. The RFO needs to produce an explanation of significant variances in annual levels of income, expenditure and balances shown in Section 2 of the Annual Governance and Accountability Return that provides a sufficiently detailed and meaningful analysis and explanation of the reasons for the change.

Bank reconciliation:

- 2.36. The year-end bank reconciliation (see paragraph 1.10 above) needs to be provided to the external auditor together with the Annual Governance and Accountability Return and other accompanying documentation.
- 2.37. The external auditor may request that other information is provided to support their review of the Annual Governance and Accountability Return. The authority needs to comply with any such requests.

2.38. Supporting information on completion of the accounting statements can be found in Section 5.

Certificate of exemption:

2.39. Where an authority meets the criteria for certifying itself exempt in the year of account to which the AGAR relates and wishes to certify itself exempt from a limited assurance review, it needs to complete the Declaration of No Accounts and Certificate of Exemption in AGAR Part 1 or Certificate of Exemption in AGAR Part 2 following a meeting of the authority after 31 March; return a copy of the exemption certificate to the external auditor by 30 June and publish a copy on the authority's website before the 1 July immediately following the financial year end.

SECTION 3 — PROPER PRACTICES IN ACCOUNTS FOR A SMALLER AUTHORITY

Introduction

- 3.1. Regulation 8(1) of the Local Audit (Smaller Authorities) Regulations 2015 allows smaller authorities with annual turnover exceeding £25,000 to decide to prepare a statement of accounts and be audited as if it were a relevant authority that is not a smaller authority. This is defined in the Regulations as a ‘full audit authority’.
- 3.2. For the purposes of the Accounts and Audit Regulations 2015, a full audit authority is treated as a Category 1 authority.
- 3.3. Regulation 7 of the Accounts and Audit Regulations 2015, requires a Category 1 authority to prepare a statement of accounts in accordance with the regulations and proper practices in relation to accounts. Regulation 5 requires a Category 1 authority to prepare an annual governance statement in accordance with proper practices in relation to accounts.
- 3.4. The proper practices in relation to accounts for a full audit authority are set out in this guidance issued by JPAG.

Proper practices – statement of accounts

- 3.5. JPAG recommends that a full audit authority should follow the proper accounting practices found in UK GAAP (FRS 102) issued by the Financial Reporting Council (unless modified by this guide).
- 3.6. Alternatively, a full audit authority may adopt as proper practices the Code of Practice on Local Authority Accounting in the UK issued by CIPFA/LASAAC.

Proper practices – annual governance statement

- 3.7. JPAG recommends that a full audit authority should follow Delivering Good Governance in Local Government: Framework, published by CIPFA and SOLACE in 2007 and its subsequent addendum, published in 2012, which provides an updated example annual governance statement. A full audit authority may also wish to refer to Delivering good governance in local government: A guidance note for English authorities, published by CIPFA/SOLACE in 2012, which is intended to assist authorities in reviewing their governance arrangements and can be used in conjunction with the Framework and the addendum.
- 3.8. Alternatively, a full audit authority may use the annual governance statement in Section 1 of the Annual Governance and Accountability Return (see Section 1 of this guide and the pro-forma Annual Governance and Accountability Return available alongside this guide).

SECTION 4 — BEST PRACTICE GUIDANCE FOR INTERNAL AUDIT

Introduction

- 4.1. This section intends to provide members and officers of smaller authorities as well as those offering to provide internal audit services to such authorities, details of the legal framework, regulations and guidance to be followed.
- 4.2. Smaller authorities are required by the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 4.3. The public sector internal audit standards have not been applied to smaller authorities. The information in this section is therefore guidance, and should be considered by smaller authorities in undertaking a best practice effective internal audit.
- 4.4. It is not the purpose of either internal or external audit to detect or prevent fraud. However if internal auditors identify concerns as part of the review, they may wish to contact the authority's external auditor who are a 'prescribed body' under the Public Interest Disclosure Act.
- 4.5. It is not the role of any internal auditor to complete Section 1 or Section 2 of the AGAR, that is the responsibility of the authority.

Selecting and appointing an internal audit provider

- 4.6. In addition to ensuring the appointed internal auditor has relevant knowledge of the public sector, there are two key principles an authority must follow in appointing an internal audit provider: independence and competence.
- 4.7. There are various ways for an authority to source an internal audit service, for example:
 - Purchasing an internal audit service from a local firm or specialist internal audit practice with an understanding of the local government legal framework
 - Purchasing an internal audit service from a principal local authority
 - Engaging a competent internal auditor with sufficient organisational independence to undertake the role
 - Appointing a local individual or a member of a panel of individuals administered by a local association affiliated to NALC, SLCC or ADA.
- 4.8. There is no requirement for a person providing the internal audit role to be professionally qualified, however essential competencies to be sought from any internal audit service should include:
 - understanding basic book-keeping and accounting processes; where an authority exceeds the £200,000 threshold, this understanding must include accrual accounting and balance sheets

- understanding the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management;
- awareness of relevant principles and practice of financial and other risk management
- understanding proper practices in relation to governance and accounting requirements within the legal framework and powers of smaller authorities, as set out in Sections 1 and 3 of this guide (knowledge of which is a prerequisite)
- awareness of the most recent model Standing Orders and model Financial Regulations as published by NALC and how they are adopted by authorities
- awareness of relevance of VAT and PAYE/NIC rules as applied to the authority
- for larger authorities, a clear understanding of the risks and controls associated with 'cut off' procedures, particularly with respect to revenue generating activities

Independence

- 4.9. Independence requires the absence of any actual or perceived conflict of interest. It means that whoever carries out the internal audit role does not have any involvement in, or responsibility for, the financial decision making, management or control of the authority, or for the authority's financial controls and procedures.
- 4.10. A current or recent authority member, who cannot demonstrate independence from decisions in the year to be audited, cannot be its internal auditor. Similarly, it would not be appropriate for any individual or firm with a personal connection to a member or officer of the authority to be appointed. Conflicts of interest must be avoided, such as in cases where an external provider of accounting software or services to the authority, also offers internal audit services through an associate company, firm or individual.
- 4.11. There is no requirement to rotate auditors but the independence of the appointed person of firm should be reviewed every year with regard to; personal independence, financial independence, and professional independence.

Competence

- 4.12. Evidence as to competence might include letters of recommendation from other similar authorities.

Engagement

- 4.13. Every authority should ensure that they have a letter of engagement which would normally include:
- roles and responsibilities
 - audit planning and timing of visits
 - reporting requirements
 - rights to access to information, members and officers

- period of engagement
 - remuneration
 - any other matters required for the management of the engagement by the authority
- 4.14. Most internal auditors will have professional indemnity insurance cover which provides both the authority and the person or firm engaged, with protection and assurance.

Planning and oversight

- 4.15. It is a matter for the authority to determine how best to meet the statutory requirement for internal audit, having regard to its size, scope of services and complexity of financial arrangements.
- 4.16. Authorities should, at least annually, carry out a review of the effectiveness of their overall internal audit arrangements. It should be designed to provide sufficient assurance for the authority that standards are being met and that the work of internal audit is effective. Authorities should judge the extent and scope of the review by reference to their own individual circumstances.
- 4.17. As with any review, it should be evidence based.
Wherever possible this should be gathered throughout the year.
Sources may include:
- previous review and action plan
 - annual report by internal audit
 - other reports from internal audit, including internal audit plan, monitoring reports, and the results of any investigations
 - any reports by the external auditor
 - the results of any other external reviews of internal control
- 4.18. As part of the review the internal auditor should produce a report to the authority highlighting areas for improvement or development. An action plan should be produced setting out the areas of improvement required, any proposed remedial actions, the members or officers responsible for delivering improvement, and the deadlines for completion of the actions.

Internal Audit Checklist

- 4.19. The following sets out the basic requirements for conduct of an effective internal audit review of an authority's financial and governance records and controls facilitating the completion of the Internal Audit Report in an authority's Annual Governance and Accountability Return (AGAR). The detail is not exhaustive, but aims to provide Proper Officers and internal auditors with a basic guide to the controls that should ideally be in place and physical checks / testing that should be applied. Where records examined include personal detail, such as in the case of staff salaries, allotment records and detail of hall hirers on invoices, care should be taken to ensure compliance with the requirements of the General Data Protection Regulations (GDPR).

4.20. Internal auditors should also, as part of the overall check on the authority's governance arrangements, review all full authority and committee minutes (and supporting papers) to gain an overview of the authority's financial and governance controls, monitoring that no actions of a potentially unlawful nature are being considered or any such decisions have been taken and that approval of all minutes is in accordance with the legislation.

This particular facet does not align to an individual section of the internal audit report in the AGAR, but serves to give a degree of high-level indication as to the effectiveness of an authority's overall controls and decision-making process.

AGAR Certificate reference	Internal Audit action for expected controls
<p>A. Appropriate accounting records have been kept throughout the year. & I Periodic bank reconciliations were properly carried out during the year.</p>	<p><u>Authorities should refer to Para 5.10 to 5.27</u></p> <ul style="list-style-type: none"> • Ensure the correct roll forward of the prior year cashbook balances to the new financial year • Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained • Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members • Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, <u>Section 2, Box 8</u>. • Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.
<p>B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.</p>	<p><u>Authorities should refer to Para 5.34 to 5.41</u></p> <ul style="list-style-type: none"> • Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the <u>SOs and FRs</u> which should be based on the latest version. • Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents) • Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation • Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments

	<ul style="list-style-type: none"> • Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements • Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place
C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<p><u>Authorities should refer to Para 5.89 to 5.102</u></p> <ul style="list-style-type: none"> • Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc • Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security • Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation
D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.	<p><u>Authorities should refer to Para 5.7 to 5.9</u></p> <ul style="list-style-type: none"> • Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable • Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances • Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances • Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process • Ensure that the precept in the accounts matches the submission form to the relevant authority and the <u>public record of precepted amounts</u>
E. Expected income was fully received based on correct prices, properly	<p><u>Authorities should refer to Para 5.44 to 5.47</u></p> <ul style="list-style-type: none"> • Review "Aged debtor" listings to ensure appropriate follow up action is in place

<p>recorded and promptly banked; and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> • Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored. • Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: <u>(Authorities should also acquire and retain copies of Burial / Cremation certificates)</u> • Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised • Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time • Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income • Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked
<p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for</p>	<p><u>Authorities should refer to Para 5.42 to 5.43</u></p> <ul style="list-style-type: none"> • A number of Authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a “Not covered” response is frequently required in this area. • Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc) • Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held • Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held • Ensure that VAT is identified wherever incurred and appropriate • Physically check the petty cash and other cash floats held • Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till “Z” total readings
<p>G. Salaries to employees</p>	<p><u>Authorities should refer to Para 5.48 to 5.54</u></p>

<p>and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.</p>	<ul style="list-style-type: none"> • Ensure that, for <u>all staff</u>, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract • Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability • Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the <u>NJC</u> scale or hourly rate, if off-scale, and also with the contracted hours • Ensure that appropriate tax codes are being applied to each employee • Where <u>free</u> or <u>paid for</u> software is used, ensure that it is up to date. • For the test sample of employees, ensure that tax is calculated appropriately • Check the correct treatment of Pension contributions • For NI, ensure that the correct deduction and employer's contributions are applied: NB. The <u>employers allowance</u> is not available to councils but may be used by other authorities • Ensure that the correct employers' pension percentage contribution is being applied • Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies.
<p>H. Asset and investment registers were complete and accurate and properly maintained.</p> <p>This section / assurance should be extended to include loans to or by the authority</p>	<p><u>Authorities should refer to Para 5.28 to 5.30</u> <u>Authorities should refer to Para 5.57 to 5.63</u></p> <p>Tangible Fixed Assets</p> <ul style="list-style-type: none"> • Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets • Physically verifying the existence and condition of high value, high risk assets may be appropriate • Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement • Additions and disposals records should allow tracking from the prior year to the current • Ensure that the asset value to be reported in the AGAR at

	<p><u>Section 2, Box 9</u> equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals</p> <ul style="list-style-type: none"> • Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority <p>Fixed asset investments</p> <ul style="list-style-type: none"> • Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the “<u>Investment Strategy</u>” and reported as Assets in the <u>AGAR at Section 2, Box 9</u>. <p><u>Authorities should refer to Para 5.64 to 5.67</u></p> <p>Borrowing and Lending</p> <ul style="list-style-type: none"> • Ensure that the authority has sought and obtained appropriate <u>DMO approval</u> for all loans acquired • Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt • Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at <u>Section 2 Box 5</u> • Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the <u>AGAR at Section 2, Box 10</u> (value should be verified via the <u>DMO website</u>) • Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt
<p>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</p>	<p><u>Authorities should refer to Para 5.122 to 5.160</u></p> <p>Whilst IAs are not required to verify the accuracy of detail to be disclosed in the AGAR, this assertion, together with the expectation of most Authorities, effectively requires IAs to ensure that the financial detail reported at <u>Section 2 of the AGAR</u> reflects the detail in the accounting records maintained for the financial year. Consequently, IAs should</p> <ul style="list-style-type: none"> • Ensure that, where annual turnover exceeds <u>£200,000</u>, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein • Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year

	and at the financial year-end
K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.	<p>IAs should ensure that, <u>all relevant criteria are met</u> (receipts and payments each totalled less than £25,000)</p> <ul style="list-style-type: none"> the correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline that it has been published, together with all required information on the Authority's website and noticeboard
L. The authority publishes information on a website / web page, and complies with the relevant Transparency Code.	<p>This test applies only to those councils covered by the £25,000 <u>External Audit exemption</u></p> <p>IAs should review the Authority's website ensuring that all required documentation is published in accordance with the <u>Transparency Code</u>.</p>
M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	<p>IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory <u>30 working day period when the Authority's records are available for public inspection</u>.</p> <p>IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR</p>
N. The authority complied with the publication requirements for the prior year AGAR.	IAs should ensure that the statutory disclosure / publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.
O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee	<ul style="list-style-type: none"> Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements that the council is the sole trustee on the <u>Charity Commission register</u> that the council is acting in accordance with the <u>Trust deed</u> that the Charity meetings and accounts recorded separately from those of the council review the level and activity of the charity and where a risk based approach suggests such, review the <u>Independent Examiners</u> report

Reporting on Internal Audit

4.21. The duties of internal audit relate to reporting on the adequacy and effectiveness of an authority's system of internal control. The minimum reporting requirement for internal audit to the smaller authority is met by completing the annual internal audit report on the Annual Governance and Accountability Return.

- 4.22. In most cases, particularly for larger authorities, an additional narrative report to the full council would be expected and then be published with the AGAR along with any comments from the external auditor.
- 4.23. Any narrative report should have conclusions that are compatible with the entries on the AGAR.
- 4.24. The annual internal report will inform the authority's response to assertion 2 and assertion 6 in the annual governance statement.
- 4.25. An authority should minute their review and actions planned from the outcomes of the AGAR tests and content of any narrative reports from Internal Auditors.

SECTION 5 — SUPPORTING INFORMATION AND PRACTICAL EXAMPLES

Introduction

- 5.1. Sections 1, 2 and 3 of the Practitioners' Guide (the Guide) issued by the Joint Panel on Accountability and Governance represent the proper accounting and governance practices ('proper practices') referred to in statute. They set out for responsible financial officers (RFOs) the appropriate standard of financial and governance reporting for smaller authorities and are mandatory.
- 5.2. Section 4 of the Guide sets out the best practice guidance relating to internal audit which smaller authorities are required to consider.
- 5.3. This section of the Guide contains supporting information and practical examples to support practitioners in complying with proper practices as set out in Sections 1 and 2 of the Guide. As Section 5 is not part of proper practices, it cannot and does not set any mandatory requirements in respect of the Annual Governance and Accountability Return. It does however include references to statutory requirements where appropriate, such as the requirements around making provision for the exercise of public rights.
- 5.4. This section of the Guide follows the order of Sections 1 and 2, with supporting information relating to the annual governance statement preceding supporting information on the accounting statements.
- 5.5. General information about smaller authorities and their responsibilities can be found on the following websites; [National Association of Local Councils](#), [Society of Local Council Clerks](#) and [Association of Drainage Authorities](#).
- 5.6. In accordance with Section 6 of the Local Audit and Accountability Act 2014, an authority is a 'smaller authority' for a financial year if the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5m for that year or either of the two previous years. This section of the Guide uses the term 'authority' to refer to all types of smaller authority.

Annual Governance Statement (AGS)

AGS Assertion 1 — Financial management and preparation of accounting statements

Budgeting:

- 5.7. The preparation of an annual budget is one of the key statutory tasks to be undertaken by an authority, irrespective of its size. The budget has two main purposes:
 - it results in the authority setting the precept for the year (or rates and special levies for IDBs); and

- it provides a basis for monitoring progress during the year by comparing actual spending against planned spending.
- 5.8. It is essential that authority members understand how the budget is put together and how it should be used in the running of the authority. Reviewing the budget against actual expenditure regularly gives members early warning about the likelihood of a shortfall (or surplus) and helps them to decide what responsive action to take.
- 5.9. The key stages in the budgeting process are:
- decide the form and level of detail of the budget;
 - review the current year budget and spending;
 - determine the cost of spending plans;
 - assess levels of income;
 - bring together spending and income plans;
 - provide for contingencies and consider the need for reserves;
 - approve the budget;
 - confirm the precept or rates and special levies; and
 - review progress against the budget regularly throughout the year.

Accounting records and supporting documents:

- 5.10. All authorities, other than parish meetings where there is no parish council, need to appoint an officer, the RFO, to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972. The clerk to the authority is often also appointed as the RFO, but this is not automatically the case. The authority should formally determine in whom the responsibility vests, recognising that there are particular risks that arise in the unusual circumstances where an elected member is appointed (unpaid) as the RFO. Decisions about appointing the RFO should always be the subject of a full risk assessment and consideration evidenced in the minutes. The proper segregation of duties means that the Chairman of the authority or of the Finance Committee should never be appointed (even on a short-term basis) either as Clerk or as RFO, except that the Chairman of a parish meeting (where there is no parish council) is required to keep its accounts by Section 150(6) of the Local Government Act 1972.
- 5.11. The appointment of an RFO does not mean that members then have no responsibility for the financial health of the authority. On the contrary, members continue to be accountable for ensuring that the authority does not live beyond its means, but the RFO takes on the duty of designing and implementing the accounting arrangements that will assure members that finances are being properly managed.
- 5.12. Regulation 4 of the Accounts and Audit Regulations 2015 sets out the duties of the RFO and requirements relating to accounting records and financial control systems.
- 5.13. The RFO is responsible for determining, on behalf of the authority, the form of its accounting records and supporting records and its financial control systems. The RFO must also ensure, on behalf of the authority, that the financial control systems are observed and that the accounting records of the authority are kept up to date.

5.14. The accounting records must contain:

- entries from day to day of all sums of money received and expended by the authority and the matters to which its income and expenditure or receipts and payments relate; and
- a record of the assets and liabilities of the authority.

5.15. It is also good practice for the accounting records to contain a record of income and expenditure by the authority in relation to claims made for contribution, grant or subsidy from a government department or other public body.

5.16. The financial control systems must include:

- measures to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
- measures to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records;
- measures to ensure that risk is appropriately managed; and
- identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

5.17. It is also good practice for the financial control systems to include procedures for uncollectable amounts, including bad debts, only to be written off with the approval of members or, under delegated authority, the RFO and for the approval to be disclosed in the accounting records.

5.18. The basic record of receipts and payments is always the starting point of an accounting system and the majority of internal controls will work back to that record. A successful accounting system requires that the basic cash book is kept up to date and balances are regularly verified against a bank statement or the actual cash in the petty cash tin. This record will also agree with the supporting vouchers, invoices or receipts. Even though the arithmetic may be automatic on a computer-based system it is necessary to check that the additions and balancing are correct. Where there is a computer-based system, the reliability of information reported by the system depends on the quality and accuracy of data input, and how it is then processed, and so tests of the integrity of data input and processing should be considered. A member or officer may do the checking or verification.

5.19. Manually kept books of account, or an effective computerised accounting system, should provide the basis for the accounting statements, in that the accounting statements are compiled from the information recorded in the books. But the books of account are important in themselves in the running of the authority throughout the year. A good set of books will allow an authority to appreciate at any time:

- the amounts that it has spent in the year, the income it has received and its financial commitments;
- whether, in the light of this information, its spending plans for the rest of the year are still affordable; and
- the assets that it owns (for example, land, buildings, vehicles, investments, cash) and the liabilities that it owes (for example, outstanding payments for goods and services, borrowings).

5.20. The record of the assets and liabilities of the authority required by Regulation means in practice the asset and investment register and record of loans and other debts.

Bank reconciliation:

- 5.21. The most important accounting record maintained by authorities will be the cash book which is a register of all the payments made and receipts taken in by the authority. There may be a temptation to rely on the bank statement as a record of cash transactions. However, a cash book is essential because the statements provided by the bank will not necessarily be a reliable record of the authority's cash balances because:
- the bank can make errors and omissions in processing transactions – the authority needs its own records to provide a check on the bank statement;
 - while electronic payments and receipts are instant, there can be considerable timing differences between, say, writing cheques to other parties and their being cashed by the bank, and between receiving income and it being credited to the authority's account once paid in; and
 - the bank statement takes time to catch up with the actual cash flows of the authority and does not provide an up-to-date position.
- 5.22. The up-to-date cash book, therefore, provides the most accurate record of all income received and payments made, including cheques drawn.
- 5.23. Bank statements are important documents as they are evidence provided by an independent party of the state of the authority's cash balances. They contrast with the cash book, which is the authority's own record of its cash position. It is consequently an invaluable exercise to compare the balances on the bank statement with the balance in the cash book at any particular date and understand the reasons for any differences between them. This will reveal whether there are any errors, omissions or discrepancies in either the bank records or the cash book (for example, cheques drawn properly have been known to be altered by recipients before being banked).
- 5.24. The bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities. The year-end bank reconciliation is particularly important as it will provide evidence to support the total cash and short-term investments balance shown in Line 8 in Section 2 of the authority's Annual Governance and Accountability Return. As bank statements may be made up to different dates in the month, care should be taken, particularly at year-end, to ensure that the statement being reconciled includes balances as at 31 March.
- 5.25. Bank reconciliations should be performed on a regular basis and cover each of the authority's bank accounts. Most commonly, authorities will operate a current account

through which most transactions are made, and possibly one or more deposit accounts. Some authorities will carry out a reconciliation every time they receive a bank statement, which is good practice as it identifies bank errors early on. It is for each authority to decide how regularly it wants to receive the assurance that a successful reconciliation can provide. Reconciling the cash book to bank statements should be reported to members, and the full reconciliation made available for their scrutiny each time it is done. Approval of the bank reconciliation by the authority or the chair of finance or another authority nominee is not only good practice but it is also a safeguard for the RFO and may fulfil one of the authority's internal control objectives.

5.26. There are a limited number of reasons for differences between bank statements and the cashbook, and most authorities will be able to use a standard layout for the bank reconciliation. The common reasons are:

- transactions in the bank statement that are not recorded in the cash book – this may include interest payable and bank charges, direct debits, standing orders and other automated payments that have been omitted from the cash book. None of these is an item for the reconciliation. Instead, the cash book should be updated to record all of these transactions, and the resulting balance is then brought into the reconciliation. They can, therefore, never fall for inclusion as reconciling items.
- unpresented cheques – payments are recorded in the cash book when the authority commits itself to making them, usually by handing over a cheque, putting a cheque in the post or completing the instructions for an automated payment; the balance on the bank account will not reduce until several days later when the cheque or instruction is received by the bank and processed. Unpresented cheques therefore need to be deducted from the bank statement balance in the reconciliation.
- payments into the bank which are outstanding (sometimes referred to as 'cash in transit') - receipts are recorded in the cash book when they come into the possession of the authority; however, they will not be recognised on the bank statement until after cash is banked or cheques are cleared. Payments into the bank which are outstanding from the bank statement therefore need to be added to the bank statement balance in the reconciliation.

5.27. A standard layout for a financial year-end bank reconciliation can be found in Section 6.

Investments:

5.28. It is unusual for an authority to hold its reserves other than in the form of easily accessible bank deposits or other short-term investments (see paragraph 2.21 in Section 2 of the Guide for a definition). Occasionally, circumstances require authorities to consider making other types of investments, for example when saving

for a future capital project or while deciding how to apply the proceeds of an asset sale or a donation.

- 5.29. In deciding whether it is appropriate to make long-term investments, the authority should follow the Guidance on local government investments issued by MHCLG with effect from 1 April 2018.
- 5.30. The authority's investment strategy will set out management arrangements for the investments held and procedures for determining the maximum periods for which funds may prudently be committed. The strategy should ensure and demonstrate that the authority has properly assessed the risk of committing funds to longer term investments and complies with legislative requirements. Long-term investments in assets whose capital values may fluctuate carry considerable risks and require active management. Investment management is a specialist area. Authorities may wish to seek independent professional assistance when developing their investment strategy.

Reserves:

- 5.31. As with any financial entity, it is essential that authorities have sufficient Reserves (General and Earmarked) to finance both its day to day operations and future plans. It is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive.
- 5.32. General Reserve — The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves. The reason for the wide range (3 to 12 months) is to cater for the large variation in sizes of individual authorities. The smaller the authority the closer the figure should be to 12 months NRE, the larger the authority the nearer to 3 months. In practice, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve. In all of this it is important that each authority adopt, as a General Reserve policy, the level appropriate to their size and situation and plan their Budget so as to ensure that the adopted level is maintained. Changes in activity levels/range of services provided will inevitably lead to changes in the requisite minimum level of General Reserve in order to provide working capital for those activities.
- 5.33. Earmarked and Other Reserves — None of the above in any way affects the level of Earmarked and/or Capital Receipts Reserves (EMR/CRRs) that an authority may or should hold. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and intended purposes, and their level should be subject to regular review and justification (at least annually), and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from Internal and/or External Auditors.

AGS Assertion 2 — Internal control

Standing Orders and Financial Regulations:

- 5.34. The first step in establishing a financial system is to identify the general rules applicable at authority or committee meetings and in carrying out the authority's business. These are set out in the authority's Standing Orders, Financial Regulations and other internal instructions. Model versions of Standing Orders and Financial Regulations are provided by NALC and ADA.
- 5.35. Standing Orders must include provisions for securing competition and regulating the manner in which tenders are invited. To comply with these requirements, authorities should set within their Financial Regulations a limit for the purchase of goods and services above which three estimates or quotes should be invited from persons or firms competent to do the work. Standing Orders will state a higher value above which competitive tenders in sealed envelopes should be invited. It is the responsibility of authorities to determine their own limits that are most appropriate to local circumstances.
- 5.36. As far as possible, a fully priced official order should be sent to suppliers in advance of delivery of goods. Official orders both commit a supplier to a price and help prevent unauthorised credit being granted in the authority's name. On receipt of invoices, verification that the relevant goods or services have been received should be obtained and invoices checked to ensure that the arithmetic is correct, agreed discounts have been deducted and everything is acceptable regarding reclaiming the VAT. Practitioners should keep up to date with VAT Guidance issued by HM Revenue and Customs.
- 5.37. Procedures for the management of capital projects should also be covered by Standing Orders which should require payments only against certified completions under a planned and approved programme of works governed by a properly negotiated contract supervised by a named authority officer.

Safe and efficient arrangements to safeguard public money:

Accounts for payment:

- 5.38. The payments process should always be carried out in accordance with the authority's Financial Regulations. Cheques and other payments should only be released once confirmation has been obtained that adequate funds are available. All payments made since the last meeting should be reported to the next authority meeting. Members should never sign blank cheques or authorise funds transfers which are presented to them unsupported by the appropriate documentation.
- 5.39. The authority should develop specific control procedures for any payments by bank transfer, or other electronic means, considering the risks brought about by the ease

and speed of these transactions and the difficulties faced in unravelling them should they go wrong.

- 5.40. If there is any doubt as to how much the authority owes to one of its regular suppliers, the supplier should be asked to send a statement of the authority's account. It would be appropriate to request statements as at 31 March each year to assist with the preparation of the Annual Governance and Accountability Return.

Receipts:

- 5.41. Cash and cheques should be entered into the cash book on the date of receipt and banked promptly and intact (i.e. without any of the cash being kept back for spending). Practitioners should be aware that some receipts may require VAT to be accounted for and paid over by the authority, particularly where sales of items are involved and certain thresholds have been reached. Once again, the RFO should be familiar and up to date with the rules governing such transactions. These are published by HM Revenue and Customs and accompanied by guidance for practitioners.

Cash:

- 5.42. Before finalising and adopting procedures and internal control systems involving cash, the RFO should always check the requirements of insurers under Fidelity Guarantee insurance cover arrangements, which may well specify the amount, location and minimum-security arrangements required regarding the handling of cash or bank balances.
- 5.43. The number of petty cash floats should be kept to a minimum and should not be used when an official order is more appropriate. The floats should be adequate in size to meet small items of expenditure and should not require reimbursement more frequently than once a month. Adequate records of the receipts and payments should be maintained for each float, including a VAT analysis, and regular reconciliation performed, usually with such regularity that successful reconciliation can be reported at each authority meeting.

Debt collection:

- 5.44. Effective debt collection is an essential part of proper financial management. Authorities should ensure that invoices raised are paid promptly or that appropriate recovery action has been taken.
- 5.45. Debt monitoring arrangements should be in place covering all activities of the authority which involve receiving payment. For example, if the authority rents out a number of allotments, a separate record may be appropriate for that purpose. The record would need to include details of the person who owes the debt, the amount, any arrears brought forward at the start of the accounting period, amounts due in the

year, amounts paid in the year, any debts written off, and a note of the current state of any recovery action taken.

- 5.46. At the end of each year, the record will need to be reconciled to ensure that the figures for arrears brought forward plus new amounts due, less new receipts and write-offs, balances to the total arrears to be carried forward.
- 5.47. Irrecoverable debts should be written off, after full consideration of the possibilities for, and the likely costs of, pursuing the debt. Uncollectible amounts, including bad debts, should only be written off with the approval of members, or under delegated authority, by the RFO. The approval should be shown in the accounting records.

Employment:

- 5.48. Authorities with any employees are, by definition, employers and are required to apply Pay as You Earn (PAYE). PAYE taxes and employee and employer National Insurance contributions (NIC) should be calculated and recorded for every employee. Deductions should be paid to HMRC on or before the date prescribed. In addition, the general requirements of employment law apply but are not within the scope of this Guide.
- 5.49. HMRC guidance setting out the correct income tax and NIC treatment of parish clerks is set out in the HMRC Employment Income Manual. This guidance confirms that a parish clerk is an office holder and that all office holders are subject to PAYE. This means that parish clerks:
 - can never be considered as self-employed for tax or NIC purposes;
 - cannot be paid 'gross'; and
 - fall to be taxed under PAYE.
- 5.50. HMRC guidance confirms that where the RFO is a separate appointment, the RFO is also an office holder and is subject to the same income tax and NIC rules as the clerk.
- 5.51. Authorities should pay particular attention to situations where contractors are engaged to carry out the authority's services. Occasions may arise when contractors cease to be self-employed and become employees for tax purposes. Authorities should refer to HMRC's Employment Status Indicator Tool for further information.
- 5.52. As part of risk management arrangements, written confirmation should be sought from HMRC to ensure that payments for services are being correctly treated; otherwise authorities may find themselves with unexpected and significant liabilities to pay income tax and employers NIC. Care should also be taken when making any payments of expenses or allowances to non-employees, for example authority members, which should also be considered as falling within the scope of PAYE.
- 5.53. All employers are required by law to take out employers' liability insurance and decide the appropriate level of fidelity guarantee insurance. All cover should be risk based and kept under constant review to make sure it adequately reflects changes in circumstances.

- 5.54. Authorities should have regard to guidance on employment matters issued jointly by NALC and SLCC, or by ADA.

VAT:

- 5.55. This can be a complex area and authorities are advised to refer to guidance issued by HMRC.
- 5.56. Information on how to account for VAT in Section 2 of the Annual Governance and Accountability Return can be found at paragraphs 5.131 and 5.132 below.

Fixed assets and equipment:

- 5.57. If the assets it owns or for which it is responsible are not being managed properly the authority is exposed to the risk of financial loss relating to:
- improper asset management – without the right management information, outdated patterns of use may run on unchallenged or unnoticed;
 - improper asset usage and maintenance – assets may not be fit for purpose, be underused or so out-of-date as to be incapable of satisfactory modernisation. Equally they may be capable of alternative, additional or more intensive use or be readily saleable. These opportunities may be missed where no comprehensive information on assets is available; and
 - asset ownership – the continued ownership of assets may be overlooked altogether and risks unmanaged.
- 5.58. These risks are most likely to be realised when information is poor. In particular where information about assets is not available or is out-of-date. The risk of financial loss can be greatly reduced by setting up an asset register which holds all the information needed.
- 5.59. An asset register is the starting point for any system of financial control over assets as it:
- facilitates the effective physical control over assets;
 - provides the information that enables the authority to make the most cost-effective use of its capital resources;
 - ensures that no asset is overlooked or underutilised and is therefore used most efficiently;
 - pools all the information available about each asset from across the authority and makes it available to every part of the authority;
 - provides a record of the sources of evidence used to support the existence and valuation of assets to be covered by insurance;
 - supports the Annual Governance and Accountability Return entry for capital assets by collecting the information on the cost or value of assets held; and
 - forms a record of assets held for insurance purposes.

5.59a. The key information needed in the asset register is:

- dates of acquisition, upgrade and disposal (it is useful to keep a record of disposed assets as an asset management tool);
- costs of acquisition and any expenditure which increases the life of the asset;
- if proxy cost is used for first valuation, a note of the method used for valuation and details of any professional advice received;
- useful life estimate;
- location;
- responsibility (it may be appropriate to assign responsibility for each asset to members of staff);
- present use and capacity, for example in terms of site area, internal floor areas, and measures of occupancy and/or usage;
- corresponding periodic measures of usage or occupation;
- any available indications of asset value and condition; and
- any regular charges for usage or occupancy.

5.60. Most assets should be first recorded in the asset register at their actual purchase cost. In some cases, the purchase cost may not be known at acquisition or first recording and so a proxy cost may be substituted. A proxy cost is a value for the asset which is an estimate of its value by the authority which is based on external professional advice. Authorities may apply the insurance value of the asset at the time of first recording as a proxy. A proxy cost may be applied at the time of acquisition or first recording of an asset in the asset register only where the cost/value is not known.

5.61. In the special case where an authority receives an asset as a gift at zero cost, for example by transfer from a principal authority under a community asset transfer scheme, the asset should be included in the asset register with a nominal one-pound (£1) value as a proxy for the zero cost. The use of the £1 proxy is particularly important in cases where an authority operates an asset registration system that requires a positive value for every asset. Any costs of bringing gifted assets into productive use should be expensed as revenue items.

5.62. Many authorities' own assets that do not have a functional purpose or any intrinsic resale value (for example, a village pond or war memorial). These assets are often referred to as 'community assets'. Authorities should record community assets in the assets register in the same way as gifted assets.

5.63. The total value of an authority's assets recorded on the asset register as at 31 March each year is reported at Line 9 on the authority's Annual Governance and Accountability Return (see paragraphs 2.25 to 2.27 in Section 2 of the Guide and 5.145-5.149 below). It follows that users of the Annual Governance and Accountability Return may ask for details of the assets whose total value is reported at Line 9, including about the method of valuation applied and about any changes in value to previously recorded assets. Authorities should be able to track and explain fully any changes in the asset register from year to year.

Loans and long-term liabilities:

- 5.64. Authorities may borrow money temporarily for cash flow purposes to fund payments in advance of receiving money from precepts, rates and special levies, or other sources during the year. Such loans will normally be in the form of arranged overdraft facilities and will be repaid as the anticipated receipts materialise.
- 5.65. Long-term loans will normally be associated with capital projects and these require borrowing approval before they can be arranged. For local councils, this is obtained by applying to the relevant Association of Local Councils, which act for the government in this regard. For IDBs, this is obtained from the Secretary of State for Environment, Food and Rural Affairs, in accordance with section 55 of the Land Drainage Act 1991.
- 5.66. Capital projects need to be managed carefully and authorities should ensure that accurate forecasts are made of the amounts and timings of future payments and receipts so that cash flow can be managed and the authority can be confident that the project can be afforded both in the short and longer term. Full financial appraisals are likely to be required before any borrowing or public grant approval is given.
- 5.67. Traditionally loans are obtained from the Public Works Loans Board (PWLB). Where other lenders or alternative forms of financing are being considered, authorities need to seek professional advice to ensure that they are properly informed of the risks and benefits and aware of all the implications.

AGS Assertion 3 — Compliance with laws, regulations and proper practices

Acting within its powers:

- 5.68. Authorities in England operate within a legal framework which provides them with the necessary statutory powers and authority to deliver local public services. Authorities and their clerks/chief executives/RFOs should always be aware of, and have regard to, the legal power they are exercising when deciding on any action including to spend public money.
- 5.69. The clerk/chief executive is the authority's Proper Officer and the primary source of advice to the authority as they prepare to make decisions requiring the exercise of their legal powers. It would be unreasonable for an authority to decide when it as an entity does not, or members individually do not, understand what legal power they are exercising, or whether the power is current, applicable and correct.
- 5.70. To assist authorities and their clerks/chief executives/RFOs NALC, SLCC and ADA publish information on their websites.

Regulations and proper practices:

- 5.71. Authorities are subject to a range of regulations, which can change more frequently than primary legislation. It is important, therefore, to be aware of new regulations that

- are issued as well as keeping up to date with the latest versions of existing ones. NALC, SLCC and ADA provide updates and training on developments in this area.
- 5.72. Of particular importance in relation to financial practices and procedures are the Accounts and Audit Regulations which cover the procedures authorities must follow in relation to the issuing of notices about the accounts and the exercise of public rights of inspection.
 - 5.73. Also relevant to publication of financial information is the Transparency Code for Smaller Authorities. This requires parish councils, internal drainage boards, charter trustees and port health authorities with an annual turnover not exceeding £25,000 to publish certain information set out in the Code. This enables local electors and local taxpayers to access relevant information about the authority's accounts and governance.
 - 5.74. Parish and town councils with annual turnover in excess of £200,000 should comply with the Local Government Transparency Code 2015.
 - 5.75. Monitoring an authority's compliance with the relevant Transparency Code is not part of the external auditor's limited assurance review of the Annual Governance and Accountability Return.

Actions during the year:

- 5.76. part of its annual governance review to prepare its annual governance statement (see Section 1 of the Guide), an authority needs to scrutinise the actions it has taken during the year, and the decisions that it has made, and satisfy itself that it has acted properly within its powers and in accordance with any relevant Regulations.

AGS Assertion 4 — Exercise of public rights

- 5.77. Sections 25 to 27 of the Local Audit and Accountability Act 2014 contain provisions giving interested persons and local government electors certain rights of inspection of the accounts and accounting records. Local government electors may also question the auditor about the accounting records and make an objection to the auditor.
- 5.78. The rights in Sections 26 and 27 must be exercised within a period of 30 working days, during which period the authority must make the accounts and all supporting records available for inspection on reasonable notice and at all reasonable times.
- 5.79. In accordance with Regulation 12(3) of the Accounts and Audit Regulations 2015, the authority's RFO is responsible for commencing the 30-working day period as soon as possible after the statement of accounts has been approved by the authority and signed and dated by the person presiding at the meeting at which that approval is given. The RFO must also notify the local auditor of the date on which the period was commenced.
- 5.80. In accordance with Regulation 15(1), the RFO must ensure that the 30-working day period includes the first 10 working days of July following the end of the financial year to which the accounts relate.

- 5.81. In accordance with Regulation 15(2), the RFO must publish (including publication on the authority's website):
- the statement of accounts (Section 2 of the Annual Governance and Accountability Return) accompanied by:
 - a declaration, signed by the RFO, to the effect that the statement has not yet been reviewed by the external auditor and thus may be subject to change;
 - the annual governance statement (Section 1 of the Annual Governance and Accountability Return); and
 - a statement that sets out:
 - the period for the exercise of public rights;
 - details of how a notice should be given of an intention to inspect the accounting records and other documents;
 - the name and address of the local auditor; and
 - the provisions contained in sections 26 and 27 of the Local Audit and Accountability Act 2014 concerning the exercise of public rights.
- 5.82. In accordance with Regulation 15(3), the period for the exercise of public rights is treated as being commenced on the day after all of these obligations have been fulfilled.
- 5.82a. Where amendments are made by the authority to the Annual Governance and Accountability Return (AGAR) after it has been approved by the authority and before it has been reviewed by the external auditor, it is recommended that the chair and responsible financial officer initial the amendments and if necessary republish the amended AGAR and recommence the period for the exercise of public rights to inspect the accounts.
- 5.82b. Where amendments are made by the authority to the Annual Governance and Accountability Return (AGAR) on the recommendation of the external auditor, after it has been approved by the authority, it is recommended that the amended version is published along with the external auditor's report. In this case, the authority will not need to recommence the period for the exercise of public rights.
- 5.83. Where an authority does not have its own website, publication may be on any website, provided that the information is accessible by any member of the public without registration or payment. A parish meeting may instead display the information in question in a conspicuous place in the area of the authority for at least 14 days.
- 5.84. Assertion 4 in the annual governance statement relates to the exercise of public rights 'during the year' which means in relation to the Annual Governance and Accountability Return for the previous financial year. For example, when completing the 2019/20 Annual Governance and Accountability Return, assertion 4 refers to the exercise of public rights for the 2018/19 Annual Governance and Accountability Return taking place in June/July/August 2019. The common period of inspection for the 2018/19 Annual Governance and Accountability Return is 1 to 12 July 2019. The earliest commencement date of the 30-working day inspection period is 3 June 2019 and the latest commencement date is 1 July 2019.

- 5.85. Information on the rights of interested persons and local government electors in respect of the accounts of their authority can be found in Local Authority Accounts – a guide to your rights published by the National Audit Office.

Limited assurance review by the external auditor:

- 5.86. In accordance with Regulation 13, after the conclusion of the period for the exercise of public rights, but no later than 30 September, the authority must publish (including on its website) the annual governance statement, statement of accounts and the external auditor's certificate and report – Sections 1, 2, and 3 of the Annual Governance and Accountability Return. Authorities must keep copies of these documents for purchase by any person at a reasonable sum and ensure that they remain available for public access for 5 years.
- 5.87. In accordance with Regulation 16, as soon as reasonably practicable after the conclusion of the external auditor's review, an authority must publish (including on its website):
- a statement:
 - that the review has been concluded and that the statement of accounts has been published; and
 - of the rights of inspection conferred by section 25 of the Local Audit and Accountability Act 2014 in relation to the statement of accounts, auditor's opinion, public interest report and auditor's recommendations;
 - the address at which, and the hours during which, those rights may be exercised.
- 5.88. Where, following completion of the external auditor's review, an authority receives a letter or further report from the external auditor, such as a letter containing statutory recommendations or a Public Interest Report, the members must meet to consider it as soon as practicable. Following this consideration, the authority must publish the letter or report (including on its website) and make copies available for purchase on payment of a reasonable sum.

AGS Assertion 5 — Risk management

Background:

- 5.89. Risk is an uncertain event or condition that, if it occurs, will have an effect on the achievement of an authority's objectives. Risk management is the process whereby authorities methodically address the risks associated with what they do and the services which they provide. The focus of risk management is to identify what can go wrong and take proportionate steps to avoid this or successfully manage the consequences. Good risk management allows stakeholders to have increased confidence in the authority's corporate governance arrangements and its ability to deliver its priorities.

- 5.90. Risk management is not just about financial management; it is about protecting the achievement of objectives set by the authority to deliver high quality public services. The failure to manage risks effectively can be expensive in terms of litigation and reputation, and can impact on the ability to achieve desired outcomes. The authority generally and members individually are responsible for risk management.
- 5.91. Risk management is an ongoing activity that comprises four elements:
- identifying risks;
 - assessing risks;
 - addressing risks; and
 - reviewing and reporting.

Identifying risks:

- 5.92. In order to manage risk, an authority needs to know what risks it faces. Identifying risks is therefore the first step in the risk management process.
- 5.93. It is not possible to present a suggested list of the specific risks which authorities face as the range, nature, complexity and scale of the business of authorities vary. Similarly, the priorities and service delivery objectives of one authority will differ from those of others. For this reason, each authority should identify, for itself, the key risks to achieving successfully its priorities and service objectives. However, there are some typical categories of risks that might help in the process of risk identification:
- financial – loss of money;
 - security – fraud, theft, embezzlement;
 - property – damage to property;
 - legal – breaking the law or being sued;
 - IT – failure of IT systems or misuse; and
 - reputational – actions taken could harm the authority's public reputation.

Assessing risks:

- 5.94. Once the authority has identified its key risks, the next step is to assess the potential consequences of a risk occurring (impact) and consider how likely this is (likelihood).
- 5.95. The assessment of potential impact and likelihood need not be any more complex than assigning a simple numerical score, say 1 – 3, and multiplying the two scores to arrive at a risk assessment for each risk of high, medium or low. The risk assessment enables the authority to decide which risks it should pay most attention to when considering what measures to take to manage them.

5.96. Authorities could use a simple risk assessment matrix as follows:

Likelihood	Highly likely (3)	Medium (3)	High (6)	High (9)
	Possible (2)	Low (2)	Medium (4)	High (6)
	Unlikely (1)	Low (1)	Low (2)	Medium (3)
		Negligible (1)	Moderate (2)	Severe (3)
		Impact		

Addressing risks:

5.97. Risk is unavoidable, and every organisation needs to act to manage risk in a way which it can justify to a level which is tolerable. The response to risk, which is initiated within the organisation, is called 'internal control' and may involve one or more of the following standard responses:

- Tolerate the risk - for risks where the downside is containable with appropriate contingency plans; for some where the possible controls cannot be justified (e.g. because they would be disproportionate); and for unavoidable risks, e.g. terrorism.
- Treat the risk - a common response which can mean imposing controls so that the organisation can continue to operate; or setting up prevention techniques.
- Transfer the risk – buying in a service from a specialist external body or taking out insurance. Some risks cannot be transferred, especially reputational risk.
- Terminate the activity giving rise to the risk - it may be best to stop (or not to start) activities which involve intolerable risks or those where no response can bring the risk to a tolerable level.

5.98. Areas where there may be scope to use insurance to help manage risk include the following:

- The protection of physical assets owned by the authority – buildings, furniture, equipment, etc. (loss or damage).
- The risk of damage to third party property or individuals as a consequence of the authority providing services or amenities to the public (public liability).
- The risk of consequential loss of income or the need to provide essential services following critical damage, loss or non-performance by a third party (consequential loss).
- Loss of cash through theft or dishonesty (fidelity guarantee).
- Legal liability as a consequence of asset ownership (public liability).

5.99. The limited nature of internal resources in most authorities means that those wishing to provide services often buy them in from specialist external bodies. Areas where there may be scope to work with others to help manage risk include the following:

- Security for vulnerable buildings, amenities or equipment.
- Maintenance for vulnerable buildings, amenities or equipment.

- The provision of services being carried out under agency/partnership agreements with principal authorities.
- Banking arrangements, including borrowing or lending.
- Ad hoc provision of amenities/ facilities for events to local community groups.
- Markets management.
- Vehicle or equipment lease or hire.
- Trading units (leisure centres, playing fields, burial grounds, etc.).
- Professional services (planning, architects, accountancy, design, etc.).

Reviewing and reporting:

- 5.100. Once the key risks have been identified and assessed they should be recorded, for example in a risk register. Members should review the risk register not less than annually. This could be achieved by risk management being a standing item at authority or committee meetings.
- 5.101. An example of a simple risk register can be found in Section 6.
- 5.102. Support for authorities wishing to improve their risk management arrangements, over and above that provided by this guidance, is available through training that may be requested from NALC, SLCC and ADA, or from other training providers. In identifying training needs, parish and town councils may wish to seek the professional input of their insurance provider and refer to various elements of the National Improvement Strategy for town and parish councils in England.

AGS Assertion 6 — Internal audit

- 5.103. Section 4 of the Guide sets out the best practice ‘guidance’ referred to in Regulation 5(1) of the Accounts and Audit Regulations 2015, and needs to be considered by smaller authorities in undertaking an effective internal audit.
- 5.104. In addition to the information in Section 4, authorities may wish to consider the following list of the key systems and processes they can ask internal audit to review from time to time as part of its work:
- proper book-keeping including the cash book;
 - standing orders and financial regulations;
 - payment controls;
 - income controls;
 - budgetary controls;
 - petty cash procedure;
 - payroll controls;
 - asset control;
 - bank reconciliations;
 - year-end procedures; and
 - risk management arrangements.

- 5.105. This is not an exhaustive list and each authority will need to agree a specific programme of work with its internal audit provider each year.
- 5.106. Authorities should note that it is not part of internal audit's responsibility to review or 'sign off' the completed Annual Governance and Accountability Return. Internal audit report(s) should inform the authority's responses to Assertions 2 and 6 in the annual governance statement. Internal audit reports should therefore be made available to support and inform members considering the authority's approval of the annual governance statement.

AGS Assertion 7 — Reports from auditors

- 5.107. Authorities will receive reports from both their internal and external auditors. An authority should consider the matters included in these reports and decide what action it needs to take to prevent recurrence of the issues raised. The consideration and decisions should be included in formal minutes.
- 5.108. Information regarding internal audit reporting is provided in Section 4 of the Guide.
- 5.109. External auditors are required to carry out their work in accordance with the Code of Audit Practice and supporting guidance issued by the National Audit Office.
- 5.110. Auditor Guidance Note 2 (AGN02) provides the specified procedures that auditors follow when undertaking limited assurance engagements at smaller authorities.

AGS Assertion 8 — Significant events

- 5.111. The authority needs to have considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the authority's finances. If any such events are identified, the authority then needs to determine whether the financial consequences need to be reflected in the statement of accounts.
- 5.112. For authorities accounting on a receipts and payments basis, the review of significant events should cover events that occurred during the financial year to ensure that they have been included in the accounting statements where appropriate.
- 5.113. For authorities accounting on an income and expenditure basis, the review of significant events should also cover events that occurred after the financial year-end but before the accounting statements are approved by the authority.

AGS Assertion 9 — Trust funds (local councils only)

- 5.114. Certain local authorities have powers to be appointed as trustee of local, usually charitable, trusts and fulfil this role as either custodian or managing trustee.
- 5.115. Charitable trusts in England are regulated by the Charity Commission which sets out minimum standards of accounting and audit requirements where these are not covered by the Trust Deed. The Charity Commission also requires annual reporting by registered charities.

- 5.116. Larger authorities meet this requirement via disclosure in the notes to the accounts which are covered by an audit opinion. For smaller bodies preparing an Annual Governance and Accountability Return there are no provisions for notes and so the required disclosure is achieved through a simple disclosure in the Annual Governance and Accountability Return.
- 5.117. If the authority has disclosed that it is a sole managing trustee it must also complete the associated assertion in the annual governance statement. In this way, small bodies meet the legal requirement to disclose each 'account of the body'. Auditors plan work around these disclosures as required.
- 5.118. Paragraph 5.118 has been deleted in 2021 guide,
- 5.119. Meetings of the authority when it is acting as charity trustee must take place separately from those of the authority acting as the authority. Separate minutes must be kept. In order to avoid confusion, trust business should always be minute separately from authority business. Separate notices and agendas for meetings should be issued.
- 5.120. The clerk should take responsibility for guiding the authority regarding the capacity, either as the authority or as trustees for a charity, in which members are meeting. The chairman should make clear to the meeting, at the outset and throughout, the capacity in which it is meeting, particularly if authority and trust meetings are held one after the other or where confusion around capacity is possible.
- 5.121. The value of trust property must not be shown in the authority's books of account and on the Annual Governance and Accountability Return as authority property. Trust assets held by the authority as custodian or managing trustee should, however, be recorded in the authority's asset register and identified there as 'charity assets held by the authority as trustee' with their value excluded from the total.

Accounting statements

Reporting on an income and expenditure basis

- 5.122. Current rules require authorities where the gross income or expenditure for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an income and expenditure basis, from the third year onwards. Authorities operating below the £200,000 threshold have the option to report either on an income and expenditure basis or on a receipts and payments basis.
- 5.123. The receipts and payments basis require authorities only to consider their actual bank and cash transactions. The entries for the Annual Governance and Accountability Return will usually be taken straight from the summary totals in the cash book.
- 5.124. For authorities with annual turnovers between £200,000 and £6.5 million the Annual Governance and Accountability Return has to be prepared on an 'income and expenditure' basis. In income and expenditure accounts, the transactions for the year

comprise all those instances in the twelve months where the authority has received economic benefits or given others economic benefits (irrespective of the year in which they are paid for).

- 5.125. For example, suppose an authority has its offices re-roofed in March but the builders do not issue an invoice until April and the authority does not settle the bill until May. The cash book will record a bank outgoing in May of the new financial year. However, the authority will have received the benefit of the works before the end of the financial year in March and have an obligation to pay the builders, even though their invoice has not arrived to confirm the exact amount due. In order to show the proper financial position of the authority for the previous financial year, expenditure should be recognised in March.
- 5.126. In contrast, someone might put down a refundable deposit in February on a booking for the hall in June. The cash book would record a cash receipt in February. However, the authority will not be providing any economic benefits to the booker (i.e. use of the hall) until June of the new financial year, and would be unwise to spend the cash receipt until the event takes place. The receipt would not then count as income in the previous financial year and would be treated as a prepayment to be accounted for in the new financial year.
- 5.127. Income and expenditure accounting thus give a more sophisticated presentation of an authority's true financial position, focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.
- 5.128. Very few authorities will actually maintain their books of account on an income and expenditure basis. The cash book will be the main focus for day-to-day accounting and balancing off and reconciliation to the bank statement, and remains the most important control over the accounting system. Subsidiary records will be kept of the authority's debtors (people who owe the authority) and creditors (people the authority owes) based on invoices, but transactions will be made in the cash book for this activity only when cheques and cash are actually received or payments are made. This means that there will need to be a special exercise at the end of each financial year to convert the receipts and payments record represented by the cash book into the income and expenditure account required by section 2 of the Annual Governance and Accountability Return.
- 5.129. The exercise is a little complicated because care has to be taken to adjust for both ends of the financial year. For example, as well as adding in amounts owed at the end of the year that are not in the cash book, payments that are in the cash book but relate to amounts owed at the end of the previous year have to be taken out. The adjustments required comprise the following:
 - Debtors — situations where the authority has provided goods or services before the end of the year, but has not yet been paid for them by 31 March. To convert 'receipts' into 'income' take the cash book totals for receipts and deduct the number of debtors brought into the calculation of income for the previous year and add the number of debtors outstanding at the end of this year.

- Receipts in advance — situations where the authority has received cash before the year end, but has not yet provided the relevant goods and services by 31 March. To convert ‘receipts’ into ‘income’ take the cash book totals for receipts and add the amount of receipts in advance excluded from the calculation of income for the previous year and deduct the amount of receipts in advance held at the end of this year.
 - Creditor — situations where the authority has received goods or services before the end of the year, but has not yet paid for them by 31 March. To convert ‘payments’ into ‘expenditure’ take the cash book totals for payments and deduct the number of creditors brought into the calculation of expenditure for the previous year and add the number of creditors outstanding at the end of this year.
 - Prepayments — situations where the authority has paid cash before the year end, but has not yet received the relevant goods or services by 31 March. To convert ‘payments’ into ‘expenditure’ take the cash book totals for payments and add the number of prepayments excluded from the calculation of expenditure for the previous year and deduct the number of prepayments made at the end of this year.
 - Stock — consumable goods (for example bar supplies) purchased before the end of the year but which have not been used by 31 March. To adjust for stock in expenditure take the cash book totals for payments and add the amount of stock brought forward as an asset from the previous year and deduct the amount of stock held at the end of this year.
 - Provisions — any other situation in which the authority has an obligation to make a payment, but it is uncertain when the payment will be due (for example, a claim has been made for compensation against the authority that is likely eventually to result in the authority making recompense). This is only likely to occur in rare circumstances. To adjust for provisions in expenditure take the cash book totals for payments and add the value of any provision that needs to be made for events taking place in this year and deduct the value of any provisions made in previous financial years and brought forward, to this financial year and where payment has been made to settle the obligation and those no longer required.
- 5.130. Authorities will need to have effective arrangements in place to identify and calculate the adjustments needed. These will include:
- Deciding on a level of materiality for adjustments – income and expenditure needs to be shown fairly, but excessive accuracy is not beneficial. For instance, most authorities will have utilities bills that include prepayments for standing charges and payments in arrears for energy consumption that strictly should be adjusted for into their appropriate years. As this is a regular item of expenditure it is not usually worth apportioning individual bills across financial years, but just ensuring that four bills (if payable quarterly) are charged each year;
 - Making sure that a record is retained of the adjustments that were made in preparing the income and expenditure accounts for the previous financial year;
 - Examining entries in the cash book before 31 March for possible receipts in advance and prepayments and entries after 31 March for possible debtors and creditors;

- Examining invoices after 31 March for possible debtors and creditors; and
 - Considering whether the authority has any other obligations arising from events that took place before 31 March that mean it will not be able to avoid making a payment at some time after 31 March.
- 5.131. For authorities reporting on the receipts and payments basis, the amount of VAT charged to customers and the VAT refund made by HMRC will be included in Line 3 (total other receipts); the amount of VAT paid to suppliers and any paid to HMRC will be included in Line 6 (all other payments).
- 5.132. For authorities reporting on an income and expenditure basis the amounts of VAT collected from customers, paid to suppliers, and payable to, or repayable by, HMRC will be posted to a Creditor Account which will result in a balance due to, or from, HMRC. This balance will be included in Creditors or Debtors as appropriate – i.e. in this case the only value of VAT to be included in the Annual Governance and Accountability Return figures will be any that is to be written off as irrecoverable (usually due to a partial exempt position on VAT).

Accounting for joint arrangements

- 5.133. Authorities that operate joint committees, boards or other joint arrangements should make sure that the appropriate shares of income, expenditure, assets and liabilities (including any year-end balances) are included within their own accounts. Merely accounting for net contributions to joint arrangements is not acceptable. Such contributions need to be “grossed up” to reflect the actual share of income and expenditure (or receipts and payments if applicable) of the joint arrangement’s operations. Additionally, the authority’s share of any separately identifiable bank/cash balances at the year-end should be included within Line 8, matched (with the necessary reconciliation for specific Debtors, Stock and Creditors) by a share of earmarked reserves in Line 7.
- 5.134. Separate, published accounting statements for joint arrangements are no longer required under legislation and so the proper practices, supporting information and examples contained in this guide do not apply to joint arrangements.
- 5.135. Authorities should, however, understand the risks associated with how their share of the assets and liabilities is used by any joint arrangement in which they participate, as well as their share of income and expenditure (or receipts and payments) employed in delivering the service managed by a joint arrangement.
- 5.136. Joint arrangements are not bodies corporate and may not own assets, hold bank accounts in their own name, have employees or enter into any form of contract.
- 5.137. All authorities in a joint arrangement need to communicate with one another. If an original formation document cannot be found, the constituent bodies need to make and record proper decisions about how the arrangement is set up and how the income, expenditure, assets and liabilities are owned and accounted for in each participating body’s Annual Governance and Accountability Return.

5.138. Where one authority is officially the accountable authority for the joint arrangement, balances held on behalf of other participants should be accounted for as liabilities at the year end, having been appropriately eliminated from the accountable authority's reserves.

Total other receipts (Line 3)

5.139. Proceeds from the disposal of fixed assets are known as capital receipts and are subject to statutory controls¹. Such proceeds cannot be used for revenue purposes and can only be used for capital purposes - that is the purchase of fixed assets, the making of capital grants, or the repayment of long-term loans. Authorities should keep separate records so that they can demonstrate compliance with this requirement. Where the total proceeds from the sale of a fixed asset is below a specified amount, currently £10,000, it is deemed to be de minimis and these requirements do not apply.

5.140. This does not affect the requirement to include such amounts in Line 3 when they are received, but is necessary to ensure that the authority complies with the appropriate statutory provisions.

5.140a. Proper practices in respect of any Community Infrastructure Levy ('CIL') passed to a local council under Regulation 59A of the Community Infrastructure Levy Regulations 2010 and accounting for grants are set out in paragraphs 2.15A and 2.15B respectively. Regulation 62A of the 2010 Regulations sets out special reporting requirements (separate from the Annual Governance and Accountability Return) in respect of CIL receipts and expenditure. In addition, the principal authority may (but need not) recover CIL not spent by the local council within five years of receipt. Local councils should therefore keep records of the date and amount of CIL receipts and account for expenditure on a 'first in, first out' basis. CIL and any grants received that are unspent at the year-end should be taken to an earmarked reserve.

Loan interest/capital repayments (Line 5)

5.141. Many authorities will not have any borrowings and will not therefore have interest or capital payment transactions. For those that have borrowed from the PWLB, the figure will be the payments made in the year in accordance with the PWLB repayment schedule.

5.142. If an authority goes overdrawn at the bank, then any interest or charges paid as a result of the overdraft should be included in this line. Bank charges other than those arising as a result of temporary borrowing should be included in Line 6.

¹ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 apply only in relation to local authorities in England so do not apply to IDBs.

Total value of cash and short-term investments (Line 8)

- 5.143. Short-term investments are defined in paragraph 2.22 of Section 2 of the Guide.
- 5.144. Where an authority holds short-term investments such as deposit or savings accounts, all year-end balances must be reported in detail within the bank reconciliation and be included in the sum of Line 8. Auditors may seek to confirm these account balances from time to time.

Total fixed assets plus long-term investments and assets (Line 9)

Fixed assets:

- 5.145. The term fixed assets mean property, plant and equipment with a useful life of more than one year used by the authority to deliver its services. Fixed assets are also known as non-current assets.
- 5.146. Fixed assets acquired in any year should be added to the asset register for management purposes (see paragraphs 5.57 – 5.63 for information about managing fixed assets). For accounting purposes, acquisitions and disposals of fixed assets should be treated as any other purchase or sale and recorded as part of annual payments or receipts, expenditure or income.
- 5.147. Proper practices in Section 2 of the Guide state that the value of the cell at Line 9 is taken from the authority's asset register which is up to date at 31 March and includes all capital acquisition and disposal transactions recorded in the cash-book during the year. A particular method of asset valuation is not specified in proper practices so authorities may use any reasonable approach to be applied consistently from year to year. The method of asset valuation adopted should be set out in a policy approved by the authority and recorded in authority's minutes and in the asset register.
- 5.148. For authorities covered by this Guide, an appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that in most circumstances once recorded in the asset register, the recorded value of the asset will not change from year to year, unless the asset is materially enhanced. Commercial concepts of depreciation, impairment adjustments, and revaluation are not required or appropriate for this method of asset valuation. For reporting purposes therefore, the original value of fixed assets will usually stay constant throughout their life until disposal.
- 5.149. If for some reason the authority decides that the basis of valuation should be changed, the change must be applied consistently to all relevant classes of fixed assets. In such an event, the value shown in Line 9 for the previous year should also be changed to the new basis and clearly marked as 'RESTATED'. Non-cash movements such as revaluation or depreciation must not be included in lines 3 or 6 of the Annual Governance and Accountability Return. The authority should provide a

justification and explanation for the change in the basis of reporting, which should be recorded in the minutes of the authority.

Long-term investments:

- 5.150. An authority may also hold assets in the form of long-term investments. Long-term investments are defined in paragraph 2.25 of Section 2 of the Guide. On acquisition, long-term investments should be recorded in the cash book as expenditure and therefore appear as part of the total in Line 6 (all other payments). Any asset created in this way should also be recorded on the asset register at its purchase cost. At year-end the asset will also appear within the sum at Line 9.
- 5.151. Where an authority acquires an investment with a fixed maturity date (for example, a three-year savings bond), the investment should be accounted for as expenditure in the year (Line 6) and also as an increase in assets and long-term investment (Line 9) until its maturity. At maturity, the total (gross) proceeds should be recorded as income in Line 3 (total other receipts).
- 5.152. Any transaction costs should be recorded as other expenditure in Line 6. At maturity, the original acquisition value of the investment asset (which will remain unchanged over its term for the purposes of the Annual Governance and Accountability Return) should be removed from the total in Line 9.
- 5.153. Long-term investments should be recorded in the asset and investments register at original cost at acquisition (the purchase price) which for accounting purposes will remain unchanged until disposal. It is recognised that the market value of long-term investments may change over time; therefore, at each year end, the RFO should make a note in the asset register of the notional market value of each investment as at 31 March to inform readers. However, any real gain or loss compared to purchase cost will only ever be accounted for at the time of disposal when the total proceeds from the investment will be included in Line 3.
- 5.154. Any dividend or interest payments received during the year from investments should be recorded as income and reported in Line 3. Where the authority has made a contract to the effect that any dividends or interest receivable from an investment are 'rolled up' and only paid to the authority on the maturity of the investment (for example, as may be the case with certain fixed-term bonds), the 'rolled up' dividend and/or interest should only be reported in Line 3 if it has actually been received, that is, on the maturity of the investment.
- 5.155. When the authority has incurred expenditure by making a loan, grant or other financial assistance to a third party this transaction should be recorded as an expenditure item in the cash book. Any loan or other repayable amount should be added to the asset and investments register. The outstanding amount of any third-party loan at 31 March each year, excluding interest, falls to be reported in the sum of Line 9. Any repayment of a loan or part of it, or any interest received should be recorded as an income item in the cash book when received and reported in Annual Governance and Accountability Return Line 3. This receipt will also be reflected as an increase in Line 7 (balances carried forward). Any repayments of loan principal

must also be applied to reduce the amount of the loan outstanding on the asset and investments register.

- 5.156. When an authority receives shares following a de-mutualisation of a building society or similar institution this also creates a long-term asset.

Total borrowings (Line 10)

- 5.157. This figure will be the total amount outstanding at 31 March. If an authority has borrowings, they will usually be in the form of long-term loans from the PWLB. The capital value of instalment finance, including HP or leases which have not been classed as borrowing by MHCLG, should not be included here. The total borrowings at 31 March should be easily calculated by reference to official loan schedules. The total borrowings figure in Line 10 should include the current portion of long-term debt.

Accompanying information

- 5.158. Authorities are required to provide to the external auditor certain supporting documentation for the accounting statements in section 2 of the Annual Governance and Accountability Return (AGAR), where Part 3 of the AGAR is subject to review by the external auditor. These documents are the year-end bank reconciliation and an explanation of significant variances. These are minimum requirements and the auditor may ask for other information which the authority should provide. However, authorities should only send to the auditor the information that has been specifically requested.
- 5.158a. Where an authority meets the criteria and wishes to certify itself exempt from a limited assurance review, it needs to submit a copy of the exemption certificate to the external auditor.

Bank reconciliation:

- 5.159. The most important document to be provided is the bank reconciliation as it confirms the authority's books of account are supported by the bank's records. Because of its importance, the reconciliation should be prepared in sufficient detail so that it is clear what the year-end cash book and bank account balances are, and the nature of the items that reconcile the difference can be seen. The authority should carry out a separate reconciliation for each bank account operated by the authority although the results may then be summarised. The bank reconciliation should agree to the figure in Line 8 of Section 2 of the Annual Governance and Accountability Return.
- 5.160. See paragraphs 5.21 to 5.27 for more information about bank reconciliations. A standard layout for a financial year-end bank reconciliation can be found in Section 6.

Explanation of significant variances:

- 5.161. The other supporting documentation required to accompany the Annual Governance and Accountability Return is a brief explanation of significant variations from year to year between the figures in Section 2 of the Annual Governance and Accountability Return. ‘Significant’ is defined as being worthy of attention. A significant variance is one that would be of interest to the authority and to the public when looking at the figures in Section 2 of the Annual Governance and Accountability Return.
- 5.162. The purpose of showing comparative values in financial statements is so that the reader can observe and note any changes in levels of activity from one year to the next. The absence of significant variances from one year to the next implies that the authority has continued to provide expected services at the same level and approximately at the same cost as previously. Readers are therefore drawn to any items which are significantly different or unusual, as representing a possible change in the scope or level or cost of services they have come to expect.
- 5.163. The reason for providing the explanation of significant variances to the external auditor is to support the auditor’s review of the figures in Section 2 of the Annual Governance and Accountability Return and to demonstrate the authority’s understanding of its accounts and their movements. The auditor will compare the current year’s figures to the previous year’s figures to identify any differences. Where there are significant differences, the auditor may be concerned that the figures for the current year could be incorrect. Authorities will be able to remove this doubt by providing clear and complete explanations for the differences.
- 5.164. For example, a reasonable expectation may be that staff costs should rise each year only by the level of wage inflation. Thus, if the clerk’s remuneration had risen, from £2,500 in the previous year to £2,575 (3 per cent), this could reasonably be assumed to be attributable to a cost of living increase. However, if the remuneration had risen to £2,900, i.e. by 16 per cent, then the authority would need to explain the reason for the increase, to demonstrate that a mistake had not been made in recording staff costs. If the explanation was that the authority had implemented tighter new financial procedures that required the clerk to work more hours a week, this should be set out in a note which can be provided to the auditor.
- 5.165. Any change, or even the absence of change when one might be expected, can be considered as significant and the RFO should be prepared to explain any figure presented in the accounting statements. Generally, changes (either up or down) of 10 to 15 per cent and greater will almost certainly require a formal explanation. If the external auditor states a percentage figure in their letter accompanying the Annual Governance and Accountability Return, authorities should comply with it.
- 5.166. Where the value in Line 7 of Section 2 of the Annual Governance and Accountability Return does not equal the value in Line 8, this difference should be explained. This difference should only occur in cases where the authority’s accounts are presented on an income and expenditure basis, and the most common explanation is the effect of debtors and creditors in the authority’s statement of balances. It should be possible to provide the auditor with details of the year-end debtors and creditors

showing how the net difference between them is equal to the difference between Lines 7 and 8.

5.167. In deciding what needs to be explained, authorities should think about noting the following:

- One-off items of spending or income from last year and this year;
- Regular items of spending and income where the relevant activity (for example the number of hall bookings) has risen or fallen between the two years or where prices have not changed in line with inflation (for example a price freeze on charges for hall rentals);
- Items of spending and income that used to be regular but which were made for the last time last year and do not feature in the current year (for example a grant to a sporting association that went out of existence); and
- Items of spending and income that were made for the first time in the current year and will be made regularly in future years (for example running expenses for a newly opened one stop shop facility).

5.168. As authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes, whenever an authority's year-end general reserve is significantly higher than the annual precept or rates and special levies, an explanation should be provided to the auditor.

The importance of secure email systems and GOV.UK

5.169. Almost all parish and town councils now have an official website, as well as official email accounts. An increasing number of councils also provide official email accounts for their councillors as well as for their Clerk and other officers. When choosing a domain name for the council's website and emails, many local council websites are appropriately making use of the exclusive GOV.UK domain (for example, ourparishcouncil.gov.uk), with email addresses being linked to that domain as well.

There are a number of important reasons why local councils of all sizes should ideally obtain an appropriate GOV.UK domain name for their council, and equally importantly, a secure and centrally-managed email system to sit behind it.

First and foremost, obtaining a GOV.UK domain for your council website and email accounts demonstrates the council's official local government status. Members of the public are increasingly cyber security aware, so a GOV.UK domain can also help to build trust, credibility and visibly demonstrates authenticity. Many people will now reasonably expect a local council to have a GOV.UK domain name.

You can find out more information about obtaining a GOV.UK domain name [here](#). Your county association may also be able to offer advice and support in this area and you should seek advice from them in the first instance. Some county associations even have local deals with other tier authorities, offering GOV.UK email accounts

with existing domains for example.

As well as building credibility for your website, a GOV.UK should also ideally then be used to support your council's official email accounts as well, for both officers and councillors. Getting a GOV.UK domain name is important in this regard - but it's not the only piece of the puzzle. It's also important to have a secure, centrally managed email system. There are many popular systems on the market, including Office 365 (which offers discounts for parish and town councils) and Google GSuite, amongst others. Regardless of which system you choose, there are a number of key benefits to using a commercial email system, rather than just a free email account.

Almost all commercial email systems provide a centralised 'dashboard' that gives the council the ability to add, edit and remove users as appropriate. You can also immediately suspend user access in an emergency and, perhaps most importantly, they offer centralised searching of all data contained within the system for effective compliance with Data Subject Access Requests and Freedom of Information Requests.

As there is one central system sending email for all the registered accounts at the domain, regardless of what computer or Internet connection is being used to access it, emails are less likely to be identified as spam and therefore more likely to be delivered. A business-grade email system with its own spam filters built in is more likely to be able to learn the kinds of email received, and will reduce the risk of incoming emails being marked as spam or rejected entirely.

There exists a myth that having a GOV.UK domain together with a secure email system that sits alongside your website is expensive. The reality is somewhat different, with an increasing number of publicly-available discounts and inexpensive options available in the market, as well as existing deals in place with a number of County Associations. It's also important to remember that the investment required to setup and manage such systems is usually significantly less expensive than dealing the potential problems that can sometimes arise with free systems that don't enable you to fully comply with your council's GDPR, FOI or cyber security obligations, or one that can't be managed efficiently as councillors and officers move in and out of the organisation.

Merged or sub-divided authorities

5.170. For information on reporting for merged or sub-divided authorities refer to the information on Combinations of Public Sector Bodies taken from CIPFA's "Code of practice on local authority accounting in the United Kingdom Guidance notes for practitioners' 2020/21." It is provided for guidance only and is not intended to be

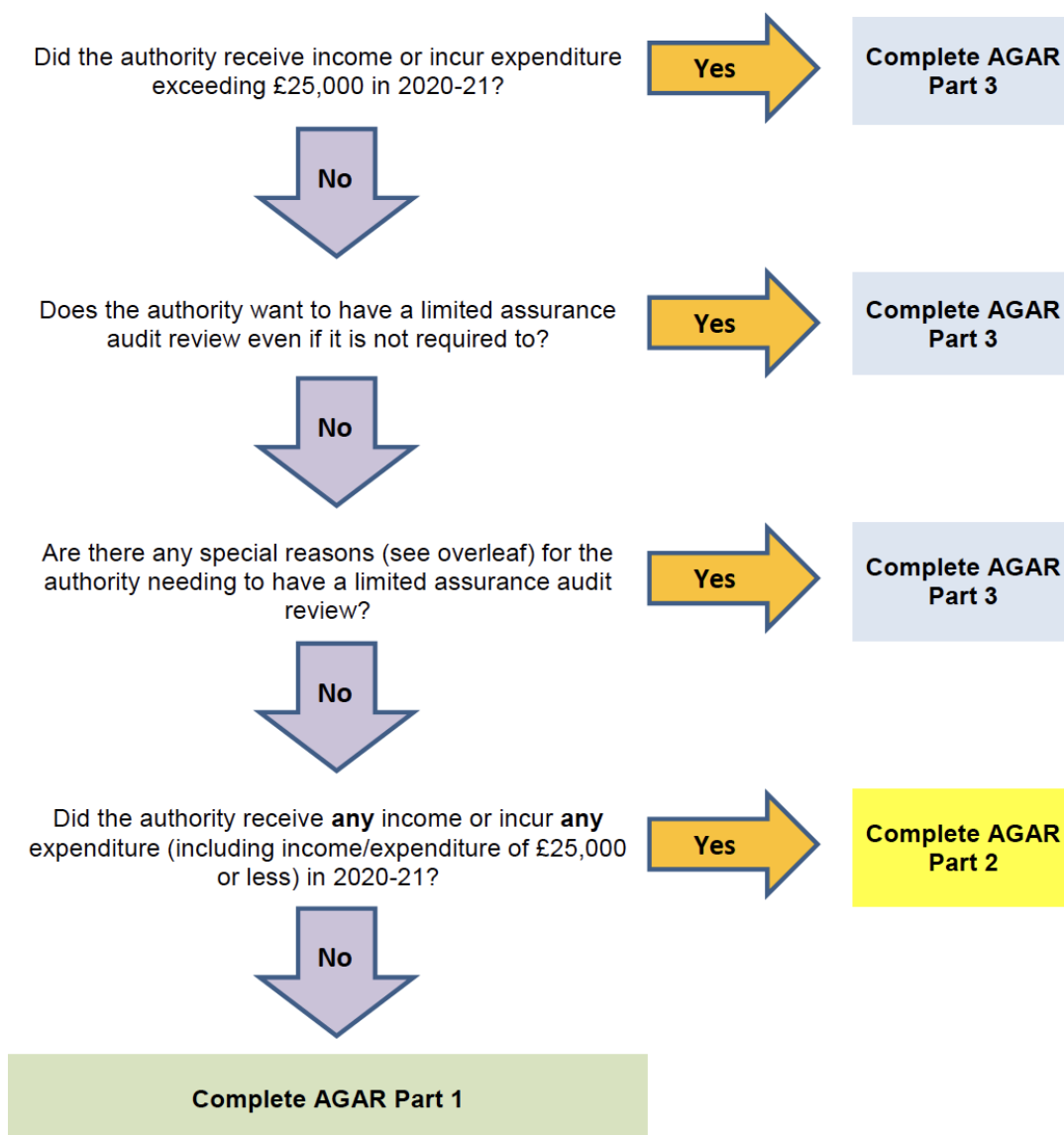
prescriptive in any way. Authorities should seek their own advice when considering such arrangements.

SECTION SIX — APPENDIX

Annual Governance Statements

Flow chart one — All other authorities

Annual Governance and Accountability Return 2020/21



Please note that where an authority chooses or is required to complete AGAR Part 3 a fee will be payable

SPECIAL REASONS

If any of these statements is true, the authority must complete AGAR Part 3

1. The authority has only come into existence since 1 April 2017;
2. In relation to the financial year 2019/20, the external auditor:
 - a. has issued a public interest report in respect of the authority or any entity connected with it;
 - b. has made a statutory recommendation to the authority, relating to the authority or any entity connected with it;
 - c. has issued an advisory notice under paragraph 1(1) of Schedule 8 to the Audit and Accountability Act 2014 ("the Act") (other than a notice that has subsequently been withdrawn);
 - d. has commenced judicial review proceedings under section 31(1) of the Act; or
 - e. has made an application under section 28(1) of the Act for a declaration that an item of account is unlawful (other than an application that has been withdrawn or in respect of which the court has refused to make the declaration); or
3. In relation to the financial year 2019-20, the court has declared an item of account unlawful after a person made an appeal under section 28(3) of the Act.

AGAR Part 1a for authorities other than parish meetings with no income or expenditure

The authority must ensure that before 1 July 2021 its Chairman or Responsible Financial Officer (RFO):

- 1) completes the certificate of exemption and declaration of no accounts (Part 1a, page 2), including:
 - a) a confirmation that no income was received nor expenditure incurred in 2020-21;
 - b) a statement of annual gross income in 2020-21 (0);
 - c) a statement of annual gross expenditure in 2020-21 (0);
 - d) a statement of balances held as at 31 March 2021;
 - e) the Chairman's or RFO's signature;
 - f) the date on which the certificate of exemption was signed;
 - g) the date on which the certificate of exemption was approved (with minute reference);
 - h) the Chairman's or RFO's name, address, telephone number and email address; and
 - i) the name and address of the external auditor;
- 2) sends the completed certificate of exemption to the external auditor; and
- 3) publishes the completed certificate of exemption on a suitable website.

AGAR Part 2 for authorities (other than parish meetings) with neither income nor expenditure exceeding £25,000

The authority must ensure that before 1 July 2021:

- 1) the certificate of exemption (Part 2, page 3) is completed and includes:
 - a) a statement of annual gross income in 2020-21;
 - b) a statement of annual gross expenditure in 2020-21;
 - c) the Chairman's and Responsible Financial Officer (RFO)'s signatures;
 - d) the date(s) on which the certificate of exemption was signed;
 - e) the date on which the certificate of exemption was approved (with minute reference);
 - f) a contact telephone number and email address for the authority; and
 - g) its website address;
- 2) the completed certificate of exemption is sent to the external auditor;
- 3) the internal audit report for 2020-21 (Part 2, page 4) is completed, signed and dated by the internal auditor;
- 4) the annual governance statement (Part 2, page 5: Section 1) is:
 - a) completed;
 - b) formally approved at a meeting of the authority, with date and minute reference inserted; and
 - c) signed by the Chairman and Clerk;
- 5) summary accounting statements (Part 2, page 6: Section 2) are
 - a) completed;
 - b) signed and dated by the RFO prior to being presented for approval;
 - c) formally approved at a meeting of the authority with date and minute reference inserted; and
 - d) signed by the Chairman; and
- 6) copies of:
 - a) the completed certificate of exemption;
 - b) the completed, signed and dated annual internal audit report;
 - c) the completed, approved, dated and signed annual governance statement;
 - d) the completed, approved, dated and signed summary accounting statements;
 - e) an analysis of variances
 - f) a bank reconciliation;
 - g) notice of the period for the exercise of public rights; and
 - h) other information required by Regulation 15 (2) of the Accounts and Audit Regulations 2015 are published on the authority's website or another suitable website.

AGAR Part 3 for smaller authorities not seeking or not eligible for exemption from audit

The authority must ensure that, before 1 July 2021:

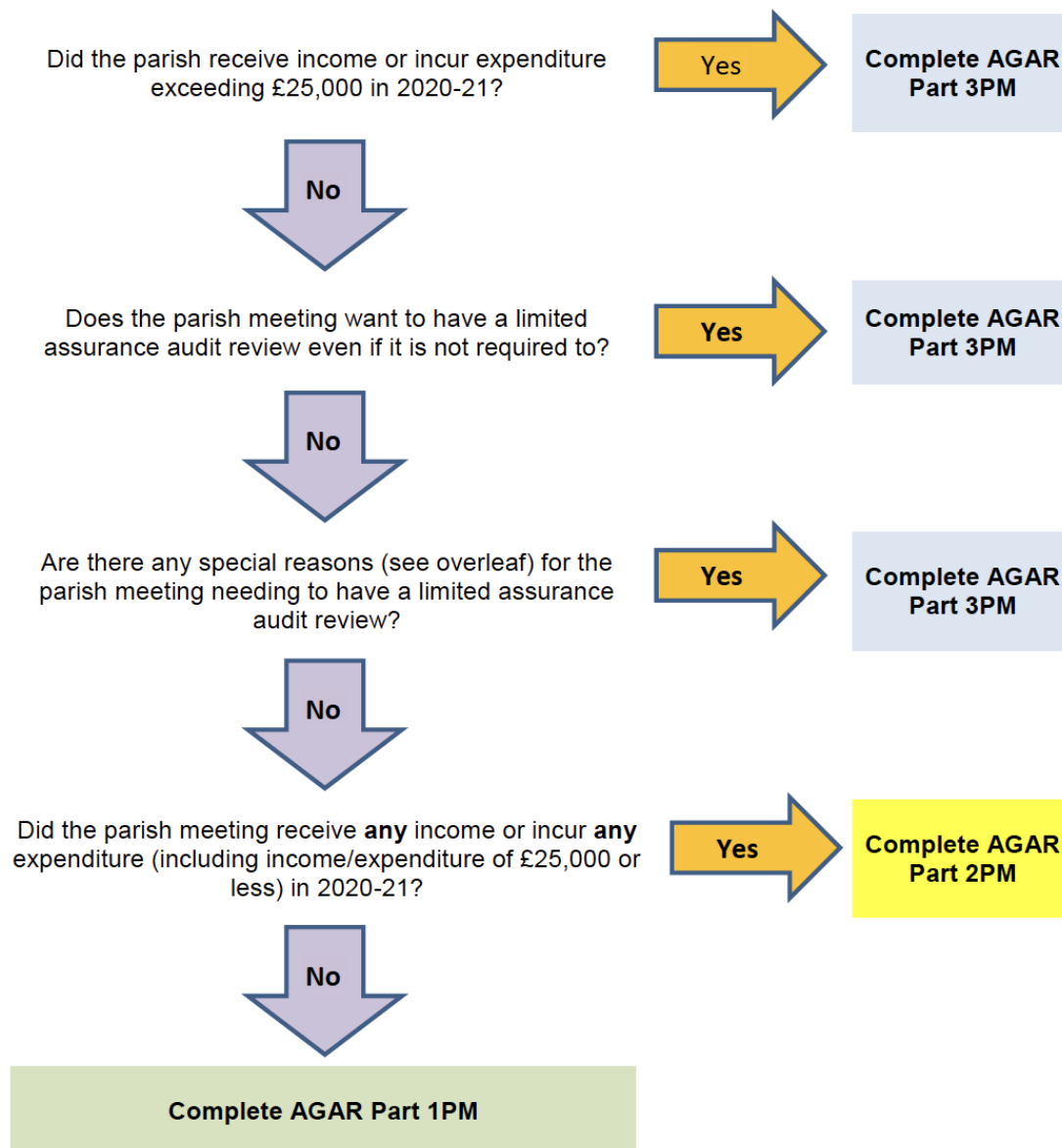
- 1) the internal audit report for 2020-21 (Part 3, page 3) is completed, signed and dated by the internal auditor;
- 2) the annual governance statement (Part 3, page 4: Section 1) is:
 - a) completed, with an explanation of any 'No' responses and a description of how the authority will address the weaknesses identified;
 - b) formally approved at a meeting of the authority, with date and minute reference inserted; and
 - c) signed by the Chairman and Clerk;
 and includes the authority's website address, where other information not forming part of the annual governance statement but required by the Transparency Codes may be found;
- 3) the accounting statements (Part 3, page 5: Section 2) are
 - a) completed;
 - b) signed and dated by the Responsible Financial Officer (RFO);
 - c) subsequently approved at a meeting of the authority with date and minute reference inserted; and
 - d) signed by the Chairman; and
- 4) the authority's name is entered in the box at the head of the External Auditor Report and Certificate (Part 3, page 6: Section 3) ; and
- 5) the RFO has set a date for the commencement of the period for the exercise of public rights;
- 6) copies of:
 - a) the completed annual governance statement (Section 1), signed by the Chairman and Clerk;
 - b) the accounting statements (Section 2) signed and dated by the RFO and Chairman;
 - c) the External Auditor Report and Certificate (Section 3) showing the name of the authority only;
 - d) a bank reconciliation as at 31 March 2021;
 - e) an explanation of any significant year-on-year variances in the accounting statements;
 - f) notification of the period for the exercise of public rights;
 - g) the Annual Internal Audit Report; and
 - h) any other documents requested by the auditor
 are sent to the external auditor.
- 7) copies of:
 - a) the completed annual governance statement (Section 1), signed by the Chairman and Clerk; and
 - b) the accounting statements (Section 2) signed and dated by the RFO and Chairman
 are published on the authority's website or another publicly accessible website, together with:
 - c) notice of the period for the exercise of public rights; and
 - d) a declaration that the accounting statements are as yet unaudited.

Once the external auditor has completed and is able to give an opinion on the limited assurance review, the Annual Governance and Accountability Return including a completed Section 3 will be returned to the authority. The authority must then ensure publication on its website (or another suitable website) not later than 30 September 2021 of the complete Annual Governance and Accountability Return, comprising Sections 1, 2 and 3, including notice of the conclusion of audit and any amendments made to the accounting statements as a result of the limited assurance review.

Publication of the Internal Audit Report is also recommended.

Flow chart two — Parish meetings

Annual Governance and Accountability Return 2019/20



Please note that where a parish meeting chooses or is required to complete AGAR Part 3PM a fee will be payable

SPECIAL REASONS

If any of these statements is true the parish meeting must complete AGAR Part 3PM

1. The parish has only come into existence since 1 April 2017;
2. In relation to the financial year 2019-20, the external auditor:
 - a) has issued a public interest report in respect of the parish meeting or any entity connected with it;
 - b) has made a statutory recommendation to the parish meeting, relating to the parish or any entity connected with it;
 - c) has issued an advisory notice under paragraph 1(1) of Schedule 8 to the Audit and Accountability Act 2014 ("the Act") (other than a notice that has subsequently been withdrawn);
 - d) has commenced judicial review proceedings under section 31(1) of the Act; or
 - e) has made an application under section 28(1) of the Act for a declaration that an item of account is unlawful (other than an application that has been withdrawn or in respect of which the court has refused to make the declaration); or
3. In relation to the financial year 2019-20, the court has declared an item of account unlawful after a person made an appeal under section 28(3) of the Act.

AGAR Part 1PM for parish meetings with no income or expenditure

Before 1 July 2021 the Chairman of the parish meeting must:

- 1) complete the certificate of exemption and declaration of no accounts (Part 1, page 2), including:
 - a) a confirmation that no income was received nor expenditure incurred in 2020-21;
 - b) a statement of annual gross income in 2020-21 (0);
 - c) a statement of annual gross expenditure in 2020-21 (0);
 - d) a statement of balances held as at 31 March 2021;
 - e) the Chairman's signature;
 - f) the date on which the certificate of exemption was signed;
 - g) the Chairman's name, address, telephone number and email address; and
 - h) the name and address of the external auditor;
- 2) send the completed certificate of exemption to the external auditor; and
- 3) ensure that a copy of the completed certificate of exemption is published on an appropriate website or placed on public display in the local area for a period of at least 14 days.

AGAR Part 2PM for parish meetings with neither income nor expenditure exceeding £25,000

Before 1 July 2021 the Chairman of the parish meeting must ensure that:

- 1) the certificate of exemption (Part 2, page 3) is completed and includes:
 - a) a statement of annual gross income in 2020-21;
 - b) a statement of annual gross expenditure in 2020-21;
 - c) the signature of the Chairman;
 - d) the date on which the certificate of exemption was signed;
 - e) the date on which the certificate of exemption was approved (with minute reference); and
 - f) the telephone number and email address of the Chairman;
- 2) the completed certificate of exemption is sent to the external auditor;
- 3) the internal audit report for 2020-21 (Part 2, page 4) is completed, signed and dated by the internal auditor;
- 4) the annual governance statement (Part 2, page 5: Section 1) is:
 - a) completed;
 - b) formally approved at a parish meeting, with date and minute reference inserted; and
 - c) signed by the Chairman;
- 5) summary accounting statements (Part 2, page 6: Section 2) are
 - a) completed;
 - b) signed and dated by the Chairman as Responsible Financial Officer (RFO) prior to being presented for approval;
 - c) formally approved at a parish meeting with date and minute reference inserted; and
 - d) signed by the Chairman to certify that they have been approved; and
- 6) copies of:
 - a) the completed certificate of exemption;
 - b) the completed, signed and dated annual internal audit report;
 - c) the completed, approved, dated and signed annual governance statement;
 - d) the completed, approved, dated and signed summary accounting statements;
 - e) an analysis of variances
 - f) a bank reconciliation;
 - g) notice of the period for the exercise of public rights; and
 - h) other information required by Regulation 15 (2) of the Accounts and Audit Regulations 2015

are published on an appropriate website or placed on public display in the local area for a period of at least 14 days.

AGAR Part 3PM for parish meetings not seeking or not eligible for exemption from audit

The Chairman of the parish meeting must ensure that, before 1 July 2021:

- 1) the internal audit report for 2020-21 (Part 3, page 3) is completed, signed and dated by the internal auditor;
- 2) the annual governance statement (Part 3, page 4: Section 1) is:
 - a) completed, with an explanation of any 'No' responses and a description of how the authority will address the weaknesses identified;
 - b) formally approved at a parish meeting, with date and minute reference inserted; and
 - c) signed by the Chairman;
- 3) the accounting statements (Part 3, page 5: Section 2) are
 - a) completed;
 - b) signed and dated by the Chairman as Responsible Financial Officer (RFO);
 - c) subsequently approved at a meeting of the authority with date and minute reference inserted; and
 - d) signed by the Chairman to certify that they have been approved; and
- 4) the name of the parish meeting is entered in the box at the head of the External Auditor Report and Certificate (Part 3, page 6: Section 3);
- 5) the Chairman as RFO has set a date for the commencement of the period for the exercise of public rights;
- 6) copies of:
 - a) the completed annual governance statement (Section 1), signed by the Chairman;
 - b) the accounting statements (Section 2) signed by the Chairman as RFO and certified by the Chairman as having been approved;
 - c) the External Auditor Report and Certificate (Section 3) showing the name of the authority only;
 - d) a bank reconciliation as at 31 March 2021;
 - e) an explanation of any significant year-on-year variances in the accounting statements;
 - f) notification of the period for the exercise of public rights;
 - g) the Annual Internal Audit Report; and
 - h) any other documents requested by the auditor
 are sent to the external auditor.
- 7) copies of:
 - a) the completed annual governance statement (Section 1), signed by the Chairman; and
 - b) the accounting statements (Section 2) signed and dated by the Chairman as RFO and certified by the Chairman as having been approved
 are published or placed on public display in the local area for a period of at least 14 days, together with:
 - c) notice of the period for the exercise of public rights; and
 - d) a declaration that the accounting statements are as yet unaudited.

Once the external auditor has completed and is able to give an opinion on the limited assurance review, the Annual Governance and Accountability Return including a completed Section 3 will be returned to the Chairman of the parish meeting.

The Chairman must then ensure that, not later than 30 September 2021, the complete Annual Governance and Accountability Return, comprising Sections 1, 2 and 3, including notice of the conclusion of audit and any amendments made to the accounting statements as a result of the limited assurance review, is published on an appropriate website or placed on public display in the local area for a period of at least 14 days.

Publication of the Internal Audit Report is also recommended.

Example documents

Bank reconciliation

Bank Reconciliation		Financial year ending 31 March 20XX
Authority Name		
Prepared by _____ (Name and role (Clerk/RFO etc)) Date _____		
Approved by _____ (Name and role (RFO/Chair of Finance etc)) Date _____		
Balance per bank statements as at 31 March 20XX	£	£
eg Current account	1,000.00	
High interest account	3,000.00	
Building society premium a/c	10,000.00	
Petty cash balance	10.00	
		14,010.00
Less: any un-presented cheques at 31 March (normally only current account)		
Cheque number 000154	(60.00)	
000157	(18.00)	
000158	(2.00)	(80.00)
Add any unbanked cash at 31 March		
eg Allotment rents banked 31 March (but not credited until 1 April)	50.00	50.00
Net bank balances as at 31 March 20XX		13,980.00

A standard layout for financial year-end bank reconciliation might look something like this. The model can be applied for reconciliations carried out at any time of year.

Risk register

A simple risk register might look something like this:

Risk no.	Description (The risk is that...)	Impact (The impact on the authority would be...)	Likelihood score (1-3)	Impact score (1-3)	Risk rating (High, medium, low)	Response (What actions have been taken)
1	Items from the village hall may be damaged or stolen.	The cost of repair and replacement.	2	2	Medium (4)	Security arrangements reviewed and insurance in place.
2						
3						
4						

COMPLETING THE 2020-21 AGAR: A STEP-BY-STEP GUIDE

A. All authorities other than parish meetings

AGAR Part 1 For authorities with no financial transactions	Between 1 April and 30 June 2021		Before 1 July 2021
	STEP 1	A meeting of the authority is held	The authority publishes the Declaration of No Accounts and Certificate of Exemption
	STEP 2	The Declaration of No Accounts and Certificate of Exemption is completed, approved by the authority and signed by the Chairman or RFO	
	STEP 3	The authority sends the Declaration of No Accounts and Certificate of Exemption to the External Auditor	

AGAR Part 2 For authorities wishing to declare themselves exempt	Between 1 April and 30 June 2021		Before 1 July 2021
	STEP 1	The Accounting Statements (Section 2) are prepared and signed by the RFO	The authority publishes: a) the Annual Internal Audit Report; b) the Annual Governance Statement; c) the Accounting Statements; d) an analysis of any significant year on year variances; e) a bank reconciliation as at 31 March 2021; f) a copy of the Certificate of Exemption; g) details of the arrangements for the exercise of public rights; and h) the name and address of the External Auditor
	STEP 2	A meeting of the authority is held at which:	
		STEP 2.1 The Annual Internal Audit Report is received and noted	
		STEP 2.2 The Annual Governance Statement (Section 1) is approved	
		STEP 2.3 The Accounting Statements (Section 2) are approved	
		STEP 2.4 The Certificate of Exemption is approved	
	STEP 3	Following approval, the Chairman and Clerk of the meeting sign the Annual Governance Statement and the Chairman signs the Accounting Statements	
	STEP 4	The RFO sets the commencement date for the exercise of public rights	
	STEP 5	The Certificate of Exemption is signed by the RFO and Chairman	
	STEP 6	The authority sends the Certificate of Exemption to the External Auditor	

AGAR Part 3 For authorities unable to declare themselves exempt or requesting a limited assurance review	Between 1 April and 30 June 2021			Before 1 July 2021	Before 1 October 2021
	STEP 1	The Accounting Statements (Section 2) are prepared and signed by the RFO		The authority publishes: a) the Annual Internal Audit Report (recommended but not mandatory); b) the Annual Governance Statement; c) the Accounting Statements; d) a declaration that the accounts are as yet unaudited; e) details of the arrangements for the exercise of public rights; and f) the name and address of the External Auditor	The authority publishes: a) notice of the conclusion of the audit; b) the Annual Governance Statement (including any amendments as a result of the limited assurance review); c) the Accounting Statements (including any amendments as a result of the limited assurance review); and d) the External Auditor Report and Certificate
	STEP 2	A meeting of the authority is held at which:			
		STEP 2.1	The Annual Internal Audit Report is received and noted		
		STEP 2.2	The Annual Governance Statement (Section 1) is approved		
		STEP 2.3	The Accounting Statements (Section 2) are approved		
	STEP 3	Following approval, the Chairman and Clerk of the meeting sign the Annual Governance Statement and the Chairman signs the Accounting Statements			
	STEP 4	The RFO sets the commencement date for the exercise of public rights			
	STEP 5	The authority sends to the External Auditor: a) the Annual Internal Audit Report; b) the Annual Governance Statement; c) the Accounting Statements; d) an analysis of any significant year on year variances; e) a bank reconciliation as at 31 March 2021; f) details of the arrangements for the exercise of public rights; and g) any other information that the auditor has specifically requested.			

COMPLETING THE 2020-21 AGAR: A STEP-BY-STEP GUIDE

B. Parish meetings (where there is no parish council)

AGAR Part 1PM For parish meetings with no financial transactions	Between 1 April and 30 June 2021		Before 1 July 2021
	STEP 1	A parish meeting is held	The Chairman either publishes or places on public display the Declaration of No Accounts and Certificate of Exemption
	STEP 2	The Chairman completes the Declaration of No Accounts and Certificate of Exemption	
	STEP 3	The Chairman sends the Declaration of No Accounts and Certificate of Exemption to the External Auditor	

AGAR Part 2PM For parish meetings wishing to declare themselves exempt	Between 1 April and 30 June 2021		Before 1 July 2021
	STEP 1	The Accounting Statements (Section 2) are prepared and signed by the Chairman	The Chairman either publishes or places on public display: a) the Annual Internal Audit Report; b) the Annual Governance Statement; c) the Accounting Statements; d) an analysis of any significant year on year variances; e) a bank reconciliation as at 31 March 2021; f) a copy of the Certificate of Exemption; g) details of the arrangements for the exercise of public rights; and h) the name and address of the External Auditor
	STEP 2	A parish meeting is held at which:	
		STEP 2.1 The Annual Internal Audit Report is received and noted	
		STEP 2.2 The Annual Governance Statement (Section 1) is approved	
		STEP 2.3 The Accounting Statements (Section 2) are approved	
		STEP 2.4 The Certificate of Exemption is approved	
	STEP 3	Following approval, the Chairman signs the Annual Governance Statement and Accounting Statements	
	STEP 4	The Chairman sets the commencement date for the exercise of public rights	
	STEP 5	The Chairman signs the Certificate of Exemption	
	STEP 6	The Chairman sends the Certificate of Exemption to the External Auditor	

AGAR Part 3PM For parish meetings unable to declare themselves exempt or requesting a limited assurance review	Between 1 April and 30 June 2021			Before 1 July 2021	Before 1 October 2021
	STEP 1	The Accounting Statements (Section 2) are prepared and signed by the Chairman		The Chairman either publishes or places on public display: a) the Annual Internal Audit Report (recommended but not mandatory); b) the Annual Governance Statement; c) the Accounting Statements; d) a declaration that the accounts are as yet unaudited; e) details of the arrangements for the exercise of public rights; and f) the name and address of the External Auditor	The Chairman either publishes or places on public display: a) notice of the conclusion of the audit; b) the Annual Governance Statement (including any amendments as a result of the limited assurance review); c) the Accounting Statements (including any amendments as a result of the limited assurance review); and d) the External Auditor Report and Certificate
	STEP 2	A parish meeting is held at which:			
		STEP 2.1	The Annual Internal Audit Report is received and noted		
		STEP 2.2	The Annual Governance Statement (Section 1) is approved		
		STEP 2.3	The Accounting Statements (Section 2) are approved		
	STEP 3	Following approval, the Chairman signs the Annual Governance Statement and Accounting Statements			
	STEP 4	The Chairman sets the commencement date for the exercise of public rights			
STEP 5	The Chairman sends to the External Auditor: a) the Annual Internal Audit Report; b) the Annual Governance Statement; c) the Accounting Statements; d) an analysis of any significant year on year variances; e) a bank reconciliation as at 31 March 2021; and f) details of the arrangements for the exercise of public rights.				

Terms of reference

- 1.1 The Joint Panel on Accountability and Governance ('JPAG' or 'the Panel') is established jointly by the National Association of Local Councils ('NALC'), the Society of Local Council Clerks ('SLCC') and the Association of Drainage Authorities ('ADA') for the purpose of preparing, maintaining, developing and issuing from time to time a Practitioners' Guide to proper practices to assist smaller authorities in England to prepare accounting and governance statements in the form of an annual return as set out in legislation, hereinafter referred to as the Annual Governance and Accountability Return.
- 1.2 JPAG's terms of reference are:
 - (i) To support NALC, SLCC and ADA in preparing, maintaining and publishing the Practitioners' Guide.
 - (ii) To keep under review, advise on the need for changes or updates, consult and, following due process, approve changes or updates to the Practitioners' Guide and Annual Governance and Accountability Return (except the auditor's report, which is determined by the NAO).
 - (iii) To support Smaller Authorities Audit Appointments Ltd (SAAA) in producing the Annual Governance and Accountability Return.
- 1.3 The preparation, maintenance and development of the Practitioners' Guide will focus in the main on the requirement for small bodies to meet statutory accounting and reporting requirements laid out in statute. In meeting its terms of reference in 1.2, JPAG will have regard to relevant UK Generally Accepted Accounting Practices ('UKGAAP') as adapted for public sector circumstances.

Due process for the preparation and maintenance of the Practitioners' Guide

- 2.1 JPAG shall keep under review the Practitioners' Guide. In particular it shall consider at least annually:
 - Any implications for the Practitioners' Guide brought to its attention by any of the Panel members.
 - Any developments in the public sector that suggest further guidance on accounting and related governance matters at smaller authorities is desirable.
- 2.2 At the behest of JPAG the Chair shall notify NALC, SLCC and ADA as soon as practicable of proposals to update the Practitioners' Guide and a planned timetable.
- 2.3 Drafting of the Practitioners' Guide, or any changes to the Practitioners' Guide, is overseen and approved by JPAG. The process should ensure the participation of representatives of each of the Panel members, external auditors of smaller authorities, relevant government departments and independent outsiders on behalf of the wider public interest as required.
- 2.4 JPAG may, as circumstances require, establish sub-groups to consider individual issues or tasks. These sub-groups shall conduct their meetings in accordance with terms of reference set by the Panel. The sub-groups may, where necessary, invite

appropriately qualified experts to join their sub-group subject to the terms of reference for the sub-group.

- 2.5 JPAG shall conduct its proceedings in an open way and follow due process:
 - Before publishing any Practitioners' Guide, or any significant changes to the Practitioners' Guide, JPAG shall invite comment by means of a published exposure draft and invitation to comment explaining the proposals.
 - The period for responses shall be at least six weeks. NALC, SLCC and ADA shall issue the exposure draft and invitation to comment, which may include publication on a relevant website or websites, and publicise the consultation among their practitioners.
 - In addition, the Panel shall also inform external auditors of smaller authorities and relevant government departments about the consultation.
- 2.6 The invitation to comment included with exposure drafts shall state that comments will be regarded as capable of being placed on the public record, unless confidentiality is requested, so that NALC, SLCC and the ADA can publish comments or summaries of comments.
- 2.7 The Practitioners' Guide is recognised by relevant government departments as the authoritative source for smaller authorities in England on proper practices for accounting and governance and in preparing an annual return. It is intended to be written as a complete single-source document that does not require further interpretation. JPAG is therefore not responsible for reviewing or approving any further guidance or application notes issued by any other body, individual or organisation.
- 2.8 Within the Practitioners' Guide, JPAG may include additional information and examples that are not proper practices within the meaning set out in statute. Any such content must be clearly identified within separate sections of the Practitioners' Guide.

Composition

- 3.1 The members of JPAG are:
 - the Chair (see section 4 below)
 - 1 nomination each from NALC, SLCC and ADA;
 - 1 nomination each from MHCLG, DEFRA, the NAO and CIPFA; and
 - 1 additional nomination from NAO for a representative of external auditors for smaller authorities.
- 3.2 One member of the Panel shall be appointed as vice chair.
- 3.3 The Panel may elect to co-opt up to two further independent members; such co-options to be agreed by the members of the Panel listed at 3.1 by a simple majority vote.

Chair

- 4.1 The Chair is selected by JPAG from nominations received from NALC, SLCC and ADA. It is not mandatory for any nominee to be a member of the nominating body and once appointed the Chair shall act independently of any nominating body.
- 4.2 The appointment is for a fixed term renewable of 3 years with a maximum term of 6 years.
- 4.3 The Chair is not an office of profit and carries no remuneration.

Support functions

- 5.1 JPAG will determine, from time to time, the key delegated functions that include, inter alia:
 - JPAG governance and secretarial arrangements — maintaining Terms of Reference; membership issues including appointments; arranging meeting dates and venues; servicing meetings including preparing and distributing papers, taking minutes and dealing with related correspondence; and maintaining any website.
 - The Practitioners' Guide — managing and coordinating the revision and update cycle and associated consultations; and arranging for publication by the sector bodies.
 - The Annual Governance and Accountability Return — SAAA is responsible for designing, managing and coordinating the annual review and producing the Annual Governance and Accountability Return in line with the Practitioners' Guide and the Accounts and Audit Regulations, consulting JPAG members, submitting to JPAG for approval in accordance with paragraph 1.2(ii), arranging and paying for the distribution of the annual governance and accountability return to the audit firms for onward distribution to smaller authorities.
 - Technical support — Technical queries from practitioners, audit firms and government departments will be, in the first instance, directed to the appropriate body (NALC, SLCC, ADA, NAO, MHCLG or DEFRA). Where the appropriate body is unable to provide a definitive response, it will then refer the matter to the JPAG Chair or a sub-group of JPAG set up for that purpose in accordance with section 2.4 herein. The JPAG Chair or sub-group will keep a record of all issues raised and, where the requirements of the Practitioners' Guide are not explicit, agree on a common recommended approach to be communicated to JPAG members and included in proposals for the next update to proper practices. Where the issue concerns public inspection rights, the appropriate body will direct any audit queries from the general public to the NAO's Guide to Electors Rights publication (Local authority accounts: a guide to your rights), and, if appropriate, to the SAAA website, which provides contact details for any opted-in smaller authority's independently appointed external auditor. The bodies will refer any accounting queries from the general public to the Practitioners' Guide.
- 5.2 JPAG may reasonably remunerate work for delegated functions, which, if approved by SAAA, will be paid for by SAAA.

Panel appointments

- 6.1 Appointments to JPAG are made by nomination from:
- NALC for the NALC nominee
 - SLCC for the SLCC nominee
 - ADA for the ADA nominee
 - NAO for the NAO nominee and the nominee to represent an external auditor's view
 - CIPFA for the CIPFA nominee
 - MHCLG for a technical smaller authority accounting nominee
 - DEFRA for a technical smaller authorities/IDBs accounting nominee and are subject to the governance arrangements of those bodies. All nominations are personal to the individuals concerned – substitutions for particular meetings may only be made with the consent of the Chair which shall not be unreasonably withheld.
- 6.2 The Panel may invite other persons to attend meetings of the Panel or its sub-groups on an ad-hoc (non-voting) basis to advise on specific issues or projects, or as observers.

Conduct of meetings

- 7.1 As noted in paragraph 2.5, JPAG shall conduct its proceedings in an open way and follow due process.
- 7.2 Members and observers must not use their position for personal gain in either business, political or social relationships. Therefore, a member or observer who has, or may be perceived to have, such a personal interest in a particular matter under consideration should declare that interest and withdraw from all discussions relating to it. In addition, members should take no part in any vote on such a matter.
- 7.3 Each meeting of JPAG shall allow its members and observers the opportunity to declare any interest that is relevant to the issues discussed at the meeting.
- 7.4 The minutes of the JPAG meeting shall be agreed by the Panel members as soon as possible after the meeting, and may be published by agreement of the Panel.

Panel meeting frequency and agendas

- 8.1 JPAG will meet as required but as a minimum twice per year. Meetings are scheduled in advance but may be changed by agreement. Additional meetings may be held by agreement. Meetings may be arranged to be held virtually by consensus.
- 8.2 Work between meetings is progressed through delegated functions, agreement by electronic communication, meetings of groups progressing specific items, and in consultation with the Chair.

Quorum

- 9.1 A quorum for meetings is five members and must include a member from two of the three NALC, SLCC and/or ADA organisations. A quorum may include members attending by telephone or video conference.
- 9.2 Non-quorate meetings may discuss and formally note matters for future report to the next meeting of the Panel, but have no executive authority. Urgent decisions, at the Chair's discretion, should be dealt with by correspondence with members.

Report to: Peterlee Town Council

Date: 28th June 2021

Report of: Ian Hall, Parks Manager

Report Title: Lowhills Road Car Park

Purpose: This report is intended to provide members with a summary of the current issues regarding the locking of Lowhills Road car park gate.

Background: Peterlee Town Council's Parks department oversees the maintenance and running of the 6 public car parks owned by the Council. All of the Council's public car parks are currently open to the public 24 hours a day with the exception of Shotton Hall where the grounds are locked on evenings and weekends unless the building is open for an event.

The bungalows on Olaman Walk, just off Lowhills Road, were built by a Housing Association around 2014 and the rear of some of the properties face onto the Council's car park outside the former bowls Pavilion that is now leased to CALM CIC as a community hub.

Soon after residents moved in to Olaman Walk there were complaints about vehicles pulling into the car park late at night and associated anti social behaviour and there were reports of a motor home stay overnight. Local residents complained that the headlights of the vehicles causing issues to the residents shining through their windows, and there reports of noise from car stereos. In response to residents' complaints the Town Council decided that the gate would be locked and opened by the Parks team on a dusk-dawn basis.

In 2018 the decision was made to leave the Town Council's parks unlocked, and the Parks Department was restructured to reallocate the out-of-hours Parks Rangers roles. This also meant that there were no staff available on evenings and at weekends anymore, meaning that the gate at Lowhills car park would need to be left open as access was need for parking during the weekends with football been played over Saturday and Sunday.

A serving Town Councillor at the time who lives in the local area came forward offering their services to open and lock the gate, so access was available for legitimate car park users at weekends.

Following the May 2021 elections, the Councillor is no longer an elected Member of Peterlee Town Council and the car park was initially being kept open on a 24 hour basis.

However, the Parks Manager has had contact from CALM CIC and a local resident expressing concerns that the car park is now open permanently. The Parks Manager has explained that the team works 07:30-15:30 Monday-Thursday and 07:30-15:00 on a Friday meaning the gate would be locked from their finishing time and locked all weekend, and every other public car park is open 24 hours.

CALM CIC have approached the Council to ask if they could become keycode holders for the car park gate and this has request has been approved on a provisional basis while this report was prepared to enable Members to make a definitive decision about the position moving forward,

The Park's Manager is suggesting 3 options on how to resolve this situation:

1. The gate to been permanently locked open to allow the public to use the car park 24/7 but with the option to lock it for brief periods if any issues do occur in the future;
2. Allow CALM CIC to become 'custodians' of the gate and for them to open and close the gate for public use 7 days a week;.
3. Remove the gate from the car park altogether for it to be used at another Council site (most likely Woodhouse Park)

Although CALM CIC's offer to take on the responsibility of opening/locking the car park gate is a generous one, Members are advised that in the event of CALM not being able to fulfil that obligation on any given week day or weekend would leave the car park either locked open or closed, both of which scenarios could cause issues for either local residents or local visitors/football teams etc.

The Town Clerk contacted the ward members for Acre Rigg on Monday 7th June to give them an early 'heads up' about this issue and to suggest that they seek the views of their local constituents as to whether the car park should remain open or be locked. At the date of this report being published no feedback has been received from the ward members.

Recommendation:

Members are recommended to consider the contents of this report and to agree which option they feel best to resolve the future open and closing of the gate to Lowhills Road car park.

Appendix 1: Implications

Finance –No direct implications.

Staffing - No direct implications.

Risk – The car park gate is a large and heavy moving object with a known risk of injury as a result of a previous incident at the site. Any arrangements for a third party (CALM CIC or any one else) to open and close the gate on the Council's behalf would need to be risk assessed and the third party would need to confirm that their insurance cover included this activity.

Equality and Diversity / Public Sector Equality Duty No direct implications.

Accommodation - No direct implications.

Crime and Disorder – In the event of the car park being left permanently open the Council would monitor for any incidents of crime and disorder at the site and would take appropriate steps if required.

Human Rights - No direct implications.

Consultation – The Parks Manager has spoken with a representative from CALM CIC and the Town Clerk has informed the 5 ward members for Acre Rigg of this situation.

Procurement – No direct implications.

Disability Issues - No direct implications.

Legal Implications - No direct implications.

Data Protection - No direct implications.