

SALISBURY CITY COUNCIL

Report

Subject : Annual Governance and Accountability Return (AGAR) 2018/19
Committee : Full Council
Date : 17 June 2019
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1. Report Summary

1.1. This report presents the Annual Governance Statement and the Annual Accounting Statements to Full Council, for the financial year 2018/19, in the form of the Annual Governance and Accountability Return (AGAR), attached at **Appendix A**.

2. Requirements of the AGAR

2.1 Smaller authorities are required by law under the Accounts and Audit Regulations 2015 to prepare accounting statements for the year ended 31 March 2019 in the form required by proper practices, as provided in the updated Joint Panel on Accountability & Governance, Governance and Accountability for smaller Authorities in England Practitioners' Guide (JPAG).

2.2 The Regulations require smaller authorities to ensure that, prior to 1 July 2019, they present to their Councillors, at an approval meeting:

- The annual review of the effectiveness of the system of internal control; and
- The findings of the review, the internal audit work performed and the internal audit arrangements;

3 Annual Governance Statement (AGS)

3.1 In accordance with the Regulations, the Council must consider the internal audit work performed and the internal audit arrangements in place between 1 April 2018 and 31 March 2019.

3.2 The First Interim Audit undertaken in November 2018, provided the opinion that "the systems and procedures at Salisbury City Council are well established and followed. The RFO is very experienced and ensures the Council follows best practice regulations.....It is clear the Council takes governance, policies and procedures very seriously.....Overall the systems and procedures you have in place are fit for purpose".

3.3 The Second Interim Audit undertaken in February 2019, provided the opinion that "the income systems and internal procedures at Salisbury City Council are well established and followed.....Overall the systems in place are fit for purpose".

- 3.4 In addition to the assurance provided by the Internal Auditor, Councillors can be reassured that the Council has in place 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, due to the Council's adherence to the following AGS assertions, as detailed in **Appendix B**.

4 Accounting Statements

- 4.1 The Final Internal Audit undertaken in May 2019 provides the opinion that "the annual accounts and AGAR are ready to be signed off by council and the external auditor and that the AGAR is a true and fair reflection of the financial transactions of the Council for the year ended 31 March 2019".
- 4.2 The three Internal Audit reports are attached at **Appendix C**.

5 Order of Business

- 5.1 In accordance with the Accounts and Audit Regulations 2015, the Annual Governance Statement must be approved prior to the Accounting Statements, with the correct order of business on the agenda, and this must be evidenced by the meeting minute references and date.
- 5.2 In advance of this meeting of the Full Council, the RFO has signed and dated Section 2 – Accounting Statements 2018/19 of the AGAR Part 3 as required by the Regulations.
- 5.3 At this approval meeting, Full Council must, in the following order:
- Consider the findings of the review of the effectiveness of the system of internal control;
 - Approve the Annual Governance Statement by resolution in advance of approving the Accounting Statements;
 - Consider the Accounting Statements;
 - Approve the Accounting Statements by resolution; and
 - Ensure the Accounting Statements are signed and dated by the person presiding at the meeting at which that approval is given.

6 Recommendation

It is recommended that Councillors follow the order of business as laid down in the Accounts and Audit Regulations 2015 and consider and approve the AGAR accordingly.

7 Wards Affected: All

8 Background Papers:

Appendix A - Annual Governance and Accountability Return (AGAR)
Appendix B – Annual Governance Statement Assertions
Appendix C - Internal Audit Reports 2018-19

APPENDIX B

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 have been put in place and are effective:

1. **Budgeting**

The authority prepares and approves a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial year. It monitors actual performance against its budget during the year, taking corrective action where necessary. A financial appraisal is undertaken before the authority commences any significant project or enters into any long-term commitments.

2. **Accounting records and supporting documents**

The authority has appointed an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972. The authority has satisfied itself that its Responsible Finance Officer (RFO) has determined a system of financial controls and discharged her duties under Regulation 4 of the Accounts and Audit Regulations 2015. The RFO has also put in place effective procedures to accurately and promptly record all financial transactions and maintains 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 agree to the underlying records.

3. **Bank reconciliation**

Statements reconciling each of the authority's bank accounts with its accounting records are prepared on a regular basis, including at the financial year-end, and are reviewed by members of the authority.

4. **Investments**

Arrangements are 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 has regard to MHCLG's statutory Guidance on local government investments. The authority produces and approves an annual Investment Strategy in accordance with the MHCLG guidance.

5. **Statement of accounts**

The authority has arrangements in place to enable preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices.

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.

To warrant a positive response to this assertion, the following processes have been put in place and are effective:

1. **Standing Orders and Financial Regulations**

The authority has in place standing orders and financial regulations governing how it operates. Financial regulations incorporate provisions for securing competition and regulating the way tenders are invited. These are regularly reviewed, fit for purpose, and adhered to.

2. **Safe and Efficient Arrangements to Safeguard Public Money**

Practical and resilient arrangements are in place to cover how the authority orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts. These include:

- Safe and efficient arrangements to safeguard public money.
- Regular review of the effectiveness of arrangements to protect money.
- Ensuring controls over money are embedded in Standing Orders and Financial Regulations.
- Approval of the setting up of, and any changes to, accounts with banks or other financial institutions.
- Defining limits for corporate credit card accounts which are cleared monthly by direct debit from the main bank account
- Approval of bank mandates, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.
- Risk assessments and internal controls focussing on the safety of the authority's assets, particularly money.

3. **Employment**

The remuneration payable to all employees is approved in advance by the authority. Robust payroll arrangements cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities. The authority complies with its duties under employment legislation and has met its pension obligations.

4. **VAT**

The authority has robust arrangements in place for handling its responsibilities regarding VAT.

5. **Fixed Assets and Equipment**

The authority's assets are secured, properly maintained and efficiently managed. Appropriate procedures are followed for any asset disposal and for the use of any resulting capital receipts.

6. **Loans and Long-Term Liabilities**

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 are in place to ensure that funds are available

to make repayments of capital and any associated interest and other liabilities.

7. Review of effectiveness

In compliance with Regulation 6 of the Accounts and Audit Regulations 2015, the authority conducts an annual review of the effectiveness of the system of internal control. This review informs the authority's preparation of its annual governance statement.

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.

To warrant a positive response to this assertion, the following processes have been put in place and are effective:

1. Acting within its powers

Appropriate decision making processes are in place to ensure that all activities undertaken fall within the authority's statutory powers to act. The authority has 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. Legal powers are carried out reasonably.

2. General power of competence

In exercising its general power of competence under the Localism Act 2011, the authority ensures that the power is fully understood and exercised in accordance with the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012.

3. Regulations and proper practices

Procedures are in place to ensure the authority complies with statutory regulations. Applicable proper practices are regularly reviewed and new requirements, or changes to existing ones, are reported to members and applied. The authority has due regard to the requirements of the Accounts and Audit Regulations 2015.

4. Actions during the year

The authority satisfies 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.

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.

To warrant a positive response to this assertion, the following processes have been put in place and are effective:

1. Exercise of public rights

The authority provides for the exercise of public rights as set out in Sections 26 and 27 of the Local Audit and Accountability Act 2014. The RFO publishes on the authority's 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 detailing how public rights can be exercised.

2. 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, is published in accordance with the requirements of Regulation 16 the Accounts and Audit Regulations 2015.

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.

To warrant a positive response to this assertion, the following arrangements have been put in place:

1. Identifying and assessing risks

The authority has identified, assessed and recorded risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.

2. Addressing risks

Having identified, assessed and recorded the risks, the authority has addressed these risks by ensuring that appropriate measures are in place to mitigate and manage risk. This has included the introduction of internal controls and/or appropriate use of insurance cover.

Assertion 6: Internal Audit

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

To warrant a positive response to this assertion, the authority has taken the following actions:

1. Internal audit

The authority has undertaken an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.

2. Provision of information

The authority 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.

Assertion 7: Reports from Auditors

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

To warrant a positive response to this assertion, the authority has considered all matters brought to its attention by its external auditor and internal auditor and has taken corrective action as appropriate.

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 has taken the following actions where necessary:

1. **Significant events**

The authority has considered if any events that occurred during the financial year (or after the year-end), had consequences, or potential consequences, on the authority's finances. If such events are identified, the authority determines whether the financial consequences need to be reflected in the statement of accounts.

Assertion 9: Trust Funds

In our capacity as the sole managing trustee, we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting.

To warrant a positive response to this assertion, the authority has made sure that it has discharged all its responsibilities with regard to the trust's finances. This has included financial reporting 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

Note re THE APPROVAL PROCESS

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.