

# SALISBURY CITY COUNCIL

## Report

**Subject** : Annual Governance Statement 2023/24  
**Committee** : Full Council  
**Date** : 24 June 2024  
**Author** : Steve Bishop, Responsible Finance Officer

---

### 1. Report Summary

1.1. Each year the Council has a statutory duty to consider and approve the Annual Governance and Accountability Return (AGAR). The AGAR comprises two components:

- This report (Annual Governance Statement)
- Separate report on this meeting's agenda (Accounting statements)

### 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 2024 in the form required by proper practices, as provided in the Joint Panel on Accountability & Governance (JPAG) Practitioners' Guide.

2.2 The regulations require the smaller authority to carry out a review of the effectiveness of the system of internal control and prepare the Annual Governance Statement (AGS). The smaller authority must also ensure that, prior to 1 July 2024, it submits a completed and approved AGAR to the External Auditor.

2.3 At this approval meeting, Full Council must, in the following order:

- Consider the findings of this review report by the members meeting as a whole;
- Approve the Annual Governance Statement by resolution in advance of approving the Accounting Statements;
- Ensure the Annual Governance Statement is signed and dated by the person presiding at the meeting at which that approval is given;
- Consider the Accounting Statements by the members meeting as a whole (separate report);
- Approve the Accounting Statements by resolution (separate report); and
- Ensure the Accounting Statements are signed and dated by the person presiding at the meeting at which that approval is given (separate report).

### **3 Effectiveness of the Internal Control System**

- 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 2023 and 31 March 2024.
- 3.2 At the interim audit undertaken in December 2023 the internal auditor reported a mixed picture of many effective basic controls but several control weaknesses. The auditor stated that “our sample testing did reveal weaknesses that would result in audit qualification and reporting to the external auditor if the AGAR were being signed off today.” However, the auditor also stated “I am at pains to point out that our sample testing did not uncover any issues with authorising or payment of expenditure items.”
- 3.3 The interim report to Full Council in March 2024 included the new RFO’s and SCC officers’ responses and actions planned to address the various weaknesses. Both the RFO and councillors acknowledged that the effectiveness of the Council’s internal control system had deteriorated during 2023 and needed to be addressed.
- 3.4 By the time of the auditor’s year-end audit in June 2024, most of the reported weaknesses had been addressed, as well as many other improvements including revising financial regulations, updating bank mandates, introducing audit trail improvements, strengthening corporate credit card usage, addressing loss-making activities and tightening credit control of customer accounts.
- 3.5 Officers are pleased to report that in his year-end audit report, attached fully at **Appendix A**, the internal auditor concluded “It is therefore our opinion that the systems and internal procedures at SCC are well established and followed”.
- 3.6 Councillors are invited to consider the entirety of the internal auditor’s year-end report as it provides the most comprehensive, independent and professional assessment of the state of the Council’s internal control measures.
- 3.7 The statutory Annual Internal Audit Report 2023/24, attached at **Appendix B**, is a summary of the internal auditor’s year-end report which forms page 3 of the AGAR. Councillors are asked to note that it indicates that in all significant respects internal control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the authority.

### **4 Annual Governance Statement (AGS)**

- 4.1 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 for, due to the Council’s adherence to the AGS assertions, as detailed in **Appendix C**.

- 4.2 Councillors are invited to consider the entirety of the assertions in Appendix C, particularly where officers indicate less than full compliance and the scope for improvement.
- 4.3 The Chief Executive Officer has relied upon the assertions provided in Appendix C and his own knowledge of the Council to complete the statutory Annual Governance Statement, attached at **Appendix D**, which forms Section 1 and page 4 of the AGAR.

## 5 **Recommendations**

It is recommended that Councillors follow the order of business as specified in paragraph 2.3 and as laid down in the Accounts and Audit Regulations 2015 and consider and approve the AGAR accordingly.

The Council is asked to:

- 5.1 Note the internal auditor's year-end audit report (appendix A) and Annual Internal Audit Report (Appendix B);
- 5.2 Note the Annual Governance Statement Assertions (Appendix C); and,
- 5.3 Approve the Annual Governance Statement 2023/24 (Appendix D)

## 6 **Background Papers**

Appendix A – Year-end Audit Report

Appendix B – Annual Internal Audit Report (AGAR page 3)

Appendix C – Annual Governance Statement Assertions

Appendix D – Annual Governance Statement (AGAR Section 1 page 4)