

SALISBURY CITY COUNCIL

Report

Item 13

Subject : Annual Governance Statement 2024/25
Committee : Full Council
Date : 27 May 2025
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 2025 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 2025, 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 2024 and 31 March 2025.

3.2 At the interim audit undertaken in December 2024 the internal auditor reported “It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and indeed are a model of good practice. It is therefore our opinion that the systems and internal procedures at Salisbury City Council are well established and followed.”

3.3 The interim report to Full Council in January 2025 included the 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 significantly improved from 2023 but there were still improvements needed in VAT control accounts, bank reconciliations, fixed assets and the purchase ordering system.

3.4 By the time of the auditor’s year-end audit in May 2025, all monthly bank reconciliations had been completed and signed off, all council assets had been professionally revalued and income audit trails had been strengthened.

3.5 Officers can report that in his year-end audit report, the internal auditor concluded

“Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear that the Council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change, these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Salisbury City Council are well established and followed.”

3.6 Councillors are invited to consider 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. Due to the extremely tight accounting deadlines this year and the timing of the audit this year, the full internal audit report will be presented to the Finance Committee meeting on 23 June and to Full Council on 14 July 2025.

3.7 The statutory Annual Internal Audit Report 2024/25, attached at **Appendix A**, is a summary of the internal auditor’s year-end report and 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 B**.
- 4.2 Councillors are invited to consider the entirety of the assertions in **Appendix B**, particularly where officers indicate less than full compliance and the scope for improvement.
- 4.3 The Clerk of the meeting has relied upon the assertions provided in Appendix B and his own knowledge of the Council to complete the statutory Annual Governance Statement, attached at **Appendix C**, 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 Annual Internal Audit Report (Appendix A);
- 5.2 Note the Annual Governance Statement Assertions (Appendix B); and,
- 5.3 Approve the Annual Governance Statement 2023/24 (Appendix C)

6 Background Papers

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

Appendix B – Annual Governance Statement Assertions

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

Annual Internal Audit Report 2024/25

Salisbury City Council

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During the financial year ended 31 March 2025, 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 2024/25 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 2023/24, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2023/24 AGAR tick "not covered")			✓ n/a
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2024-25 AGAR period, were public rights in relation to the 2023-24 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2023/24 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

09/12/2024 23/05/2025

Name of person who carried out the internal audit

Mark Mulberry BA (Hons) FCCA CTA

Signature of person who carried out the internal audit



Date

23/05/2025

*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).

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 (**fully** compliant).

It monitors actual performance against its budget during the year, taking corrective action where necessary (**fully** compliant).

A financial appraisal is undertaken before the authority commences any significant project or enters into any long-term commitments (**Fully** compliant).

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 (**fully** compliant).

The authority has satisfied itself that its Responsible Finance Officer (RFO) has determined a system of financial controls and discharged his/her duties under Regulation 4 of the Accounts and Audit Regulations 2015 (**fully** compliant).

The RFO has also put in place effective procedures to record all financial transactions and maintains up to date accounting records throughout the year, together with all necessary supporting information accurately and promptly (**fully** compliant).

The accounting statements in Section 2 of the Annual Governance and Accountability Return agree to the underlying records (**fully** compliant).

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 (**fully** compliant, but need to be completed within one month in future) by the Chair of the Finance and Governance Committee (**fully** compliant).

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 Department for Levelling Up, Housing and Communities (DLUHC) statutory guidance on local government investments. The authority produces and approves an Investment Strategy in accordance with the DLUHC guidance (**fully** compliant).

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 (**partially** compliant for 2024/25 due to regulatory uncertainty).

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 (**Fully** compliant).

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.

(**Fully** compliant).

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 (**Fully** compliant).

4. VAT

The authority has robust arrangements in place for handling its responsibilities regarding VAT and completes quarterly returns via the Making Tax Digital online portal (**Partially** compliant, with irrecoverable VAT errors disclosed to HMRC and Quarter 4 return delayed due to an upload problem).

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 (**Partially** compliant – full asset revaluation completed so accuracy is much improved, however the potential replacement asset register has proven inadequate).

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 (**Fully** compliant).

Proper arrangements are in place to ensure that funds are available to make repayments of capital and any associated interest and other liabilities (**Fully** compliant).

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 (**Fully** compliant).

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 (**Mostly** compliant).

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 (**Not** compliant – the Council's General Power of Competence lapsed in May 2025, hopefully only a temporary state until July 2025).

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 (**Fully** compliant).
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 (**Fully** compliant).

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 (**Fully** compliant).
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 Accounts and Audit Regulations 2015 (**Fully** compliant).

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 (**Partially** compliant – a detailed financial risk register was delayed in 2024/25 and will be produced in 2025/26).
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 (**Fully** compliant).

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 (**Fully** compliant).

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 (**Fully** compliant).

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 (**Partially** compliant – resolution of some weaknesses reported by the Internal Auditor took longer than the Auditor recommended due to ‘fire-fighting’ higher priority financial weaknesses in 2024/25.)

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 (**Fully** compliant).

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 regarding 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 (**Fully** compliant).

Note regarding THE APPROVAL PROCESS

The authority needs to approve the Annual Governance Statement (AGS) in Section 1 of the Annual Governance and Accountability Return (AGAR) 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 (AGAR). The Chair of the meeting and the Clerk must sign and date the Annual Governance Statement and a minute reference entered.

Section 1 – Annual Governance Statement 2024/25

We acknowledge as the members of:

Salisbury City Council

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 2025, 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	has only done what it has the legal power to do and has complied with Proper Practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors’ rights in accordance with the requirements of the Accounts and Audit Regulations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	during the year gave all persons interested the opportunity to inspect and ask questions about this authority’s accounts.
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	considered and documented the financial and other risks it faces and dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.
7. We took appropriate action on all matters raised in reports from internal and external audit.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.

***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:

27/05/2025

and recorded as minute reference:

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

Chair

Clerk

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