

## POLICY, GOVERNANCE AND FINANCE COMMITTEE

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**Date:** Monday 10 June 2024

**Title:** Annual Governance and Accountability Return (AGAR) 2023/24

**Contact Officer:** Responsible Financial Officer

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### Background

The Accounts and Audit (England) Regulations 2015 require relevant bodies to complete an Annual Return which is attached at Appendix A. The Annual Return must be submitted to the external auditors by the 30 June having been approved by full council before that date.

### Annual Governance Statement

It is a statutory requirement that Members take responsibility for ensuring that there is a sound system of internal control in place for the Council and give answers to nine questions in 'Section 1 – Annual governance statement'.

The Responsible Financial Officer has prepared the following notes to assist Council's consideration of the Annual Governance Statement. Council is required to answer 'Yes' or 'No' to each of the statements 1 to 9 below. In the event of a 'No' response, explanations must be provided to the external auditor together with a description of the action that is being taken to address the weakness identified.

**Statement 1: We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.**

**[yes means.... prepared its accounting statements in accordance with the Accounts and Audit Regulations]**

*[A] The Statement of Accounts in section 2 of the annual return has been produced and certified by the Council's Responsible Financial Officer. The accounts are prepared in accordance with proper practices and in particular with reference to the Joint Panel on Accountability and Governance (JPAG) 2023 edition of the Practitioners' Guide, published by the National Association of Local Councils. 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 2023 edition of the Guide applies in respect of financial years commencing on or after 1 April 2023. 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.*

**Statement 2: We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.**

**[yes means.... made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge]**

[A] *The Council's system of internal control is designed to manage risk to a reasonable level.*

*As Members you are all monitoring the Council's Internal Control mechanisms by attending Committee and Council meetings when regular management and financial information is provided, covering items including:*

- *Service delivery and project performance;*
- *Financial reports measuring actual expenditure against budgets;*
- *Comprehensive budget cycle.*

*Key elements of the internal control environment include:*

- *Internal Audit is independent and outsourced to Auditing Solutions Ltd and was re-tendered in 2021.*
- *The Council adopted an updated 'Model Code of Conduct' on 10th October 2022 (minute 528). Following the May 2023 ordinary elections, the new administration adopted the Code at its Annual Meeting on 17th May 2023 (minute 245).*
- *Standing Orders & Financial Regulations in place and regularly reviewed.*
- *The Council adopted an Annual Investment Strategy for 2004/05 on 5 May 2004 (minute 170/04 refers), which has been reviewed annually since. The last review being for 2023/24 on 5 February 2024 (minute F74).*
- *This Committee adopted a formal Risk Management Policy and programme for 2005/06 on 4 April 2005 (minute F142 refers), which has been regularly reviewed, and presented annually for approval. The last review being for 2023/24 on 25 March 2023 (minute F169).*
- *Operational Risk Assessments have been presented to Council as and when they arise. The Corporate Risk Assessments and Risk Register was presented and adopted by this Committee on 25 March 2024.*
- *In previous years the Council used sector-specific software to maintain its risk register but the software is now out of date and no longer supported. Therefore*

*your officers are now maintaining a register in Word for corporate and financial purposes. This comprises nine sections:*

- *Financial administration.*
  - *Banking and investments.*
  - *Expenditure.*
  - *Grants.*
  - *Income.*
  - *Insurance.*
  - *Payroll.*
  - *Internal audit.*
  - *Strategic risks.*
- *The Council's book-keeping and accountancy is undertaken in-house by the Responsible Financial Officer (30 hours per week) and the Administrative Support Assistant - Policy, Governance & Finance (25 hrs. per week). Financial procedures have been designed to allow for appropriate segregation of duties and other internal controls.*

**Statement 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.**

**[yes means.... has only done what it has the legal power to do and has complied with Proper Practices in doing so]**

[A] *The Town Clerk and Internal Auditor constantly review legislative processes to ensure compliance and take action to overcome identified areas of non-compliance. Standing orders and Financial Regulations are established and referred to as appropriate.*

*The Council has the Power of General Competence (March 2016) which was reaffirmed at the Annual Council meeting on 17 May 2023 following the ordinary elections.*

**Statement 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.**

**[yes means.... during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts]**

[A] *Compliance with year-end statutory requirements is prompted and monitored by the external auditors. Annual Reports including Financial Statements are available for inspection throughout the year. Financial information is also available on the Council's website. For information the draft notice advertising electors' rights for 2023/24 is attached as appendix B.*

*The report from the external auditor, Moore East Midlands, dated 19 September 2023 and in relation to the 2022/23 audit stated: "The inspection period for the exercise of electors' rights was set for 31 working days which is more than the mandatory 30 working days as set out in the Accounts and Audit Regulations 2015, Paragraph 14 (1) . Although this is considered to be a minor technical breach, given more than the standard amount of time was provided for, in future the Council should ensure it provides the precise public inspection period. We would anticipate the Council taking this into account when it completes Assertion 4 on its 2023/24 Annual Governance and Accountability Return." Members are requested to consider accordingly; I do not consider that this adversely affects the answer to this question and believe that the Council can assert that "We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations."*

**Statement 5: We carried out an assessment of the risks facing the council and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.**

**[yes means.... considered and documented the financial and other risks it faces and dealt with them properly]**

*[A] Your officers maintain a register in Word for corporate and financial purposes. This identifies and prioritises risks facing the council. Reports detailing actions taken and persons responsible are reviewed annually by council. The Internal Auditor also independently reviews the effectiveness of actions and controls. A comprehensive insurance policy is in place through Zurich Municipal.*

**Statement 6: We maintained throughout the year an adequate and effective system of internal audit of the council accounting records and control systems.**

**[yes means.... 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]**

*[A] The internal auditor is appointed by council every five years. He attends at least three times a year with the resultant internal audit report reviewed by the Policy, Governance & Finance Committee. The contract was re-tendered in the Summer of 2021 and a report presented to PGF on 27 September 2021 (minute F504 refers).*

**Statement 7: We took appropriate action on all matters raised in reports from internal and external audit.**

**[yes means.... responded to matters brought to its attention by internal and external audit]**

[A] *Management responses and actions taken are recorded as part of the annual audit reports from internal and external auditors which are reviewed by council.*

**Statement 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.**

**[yes means.... disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant]**

[A] *The Town Clerk and the RFO review and accrue for any material known or contingent liabilities at the year-end.*

**Statement 9: Trust funds including charitable. In our capacity as the sole managing trustee we have discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.**

[A] *Not applicable.*

#### Annual Return 2022/23

‘Section 2 of the Annual Return – Accounting Statements’ is the statutory form of accounts required of councils if the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5m.

It is subject to audit as part of the Annual Governance and Accountability Return 2023/24 Form 3.

Following a review of the Council’s financial procedures the previously produced “unaudited Financial Statements” are no longer produced. Instead members are referred to the management accounts for the year (see separate agenda item) and a further report from the RFO regarding the Council’s financial position which will be published at a future meeting.

#### Annual Internal Audit Report

Throughout the year Auditing Solutions Ltd, the Council’s independent Internal Auditors have carried out a number of visits and also undertaken some work remotely, in order to scrutinise internal procedures and accounting.

The Internal Auditor, Adrian Shepherd-Roberts of Auditing Solutions has carried out the final audit work for the year and I anticipate that the completed page 3 of the Annual Return will be signed and returned by him prior to the meeting. The full Internal Audit Report is also expected and should be considered by this meeting; this will follow as appendix C.

### Financial Implications

There are no financial implications arising directly from this report.

### **Recommendations**

The Committee is requested to note this report and recommend to the Full Council:

- 1) that the Annual Governance Statement at Section 1 of the Annual Return for the year ended 31 March 2024 where questions 1 to 9 were answered yes, be approved and adopted;
- 2) that the Statement of Accounts at Section 2 of the Annual Return for the year ended 31 March 2024 be approved and adopted;
- 3) that the Internal Audit report for 2023/24 is approved;
- 4) that the draft notice advertising electors' rights for 2023/24 is noted.

**APPENDIX A**

ANNUAL GOVERNANCE AND ACCOUNTABILITY RETURN 2023/24 FORM 3.

**APPENDIX B**

NOTICE OF PUBLIC RIGHTS AND PUBLICATION OF UNAUDITED ANNUAL GOVERNANCE & ACCOUNTABILITY RETURN - ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024.

**APPENDIX C**

INTERNAL AUDIT REPORT FOR 2023/24.