

SEDGEFIELD TOWN COUNCIL

REPORT

2019/20 Annual Governance Statement

Committee

Special Town Council Meeting

Monday 1st June 2020

Author

Finance Working Group

Purpose of Report:

This report is to explain the requirement for the Council to produce an Annual Governance Statement (see Appendix A) declaring the degree to which it meets the governance framework and Section 1 of the Annual Governance and Accountability Return.

Consultation:

In preparing this report the authors have consulted with the Internal Auditor, Mr Gordon Fletcher.

Background:

The Annual Governance Statement (AGS) is a means to inform taxpayers and to show how the public accountability framework operates, by local councils by preparing a report on their activities for the year.

The approach relies to a significant extent on self-certification by councils that their internal arrangements are being maintained at a level consistent with good practice. It requires the active participation of elected and appointed members in the process of providing positive public assurance that their stewardship and governance of the publicly owned assets with which they have been entrusted has been properly managed.

The Accounts and Audit Regulations 2015 require smaller authorities to conduct a review of the effectiveness of their system of internal control, and to prepare an Annual Governance Statement in accordance with proper practices. The Annual Governance Statement must be approved by the Full Council before it approves the statement of accounts. The purpose of such a 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.

Following the abolition of the Audit Commission a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and is made up of members of the SLCC, NALC, CIPFA, the Department of Communities and Local Government (DCLG), the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities.

The SAPPB has issued guidance on the preparation of the annual governance statement, and this has been used to prepare the attached document. The guidance addresses the issues to be considered in respect of each of the “assertions” in the appropriate section of the Annual Return. For each assertion to be answered positively, the processes described had to be in place and be effective. Councils are expected to make a number of representations and assertions in eight statements of assurance, which together comprise the annual governance statement about the accountability of the council. The annual governance statement together with the statement of accounts must be approved at a Full Council meeting. These statements of assurance are shown as **Appendix A** with explanations given, and how Sedgefield Town Council has given assurance on their governance arrangements as stated in Section 1 of the Annual Governance and Accountability Return.

RECOMMENDATION:

To approve the Annual Governance Statement contained in Appendix A and Section 1 of the Annual Governance and Accountability Return.

Finance Working Group

APPENDIX A

ANNUAL GOVERNANCE STATEMENT FOR SEDGEFIELD TOWN COUNCIL FOR 2019/2020:

Councils are expected to make a number of representations and assertions in eight statements of assurance:

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

This first statement covers the accounts of the local council. Throughout the year the Council's Finance Working Group has continuously scrutinised the Town Council's financial management arrangements and worked in conjunction with the Internal Auditor through his agreed programme of audit work relating to specific areas of Council activity. Mr Fletcher's internal audit work programme for 2019/20 was agreed by the Council's P&R Committee at its meeting on 13th May 2019. Following these audits reports are produced, which includes an assurance rating, and presented to the Finance Working Group and recommendations then actioned by the Town Clerk and Financial Assistant/Receptionist. These reports are then presented to the P&R Committee with all Town Councillors for their information and questioning. Note: Mr Gordon Fletcher was re-appointed as the Town Council's Internal Auditor for the three financial years 2018/19 to 2020/21 as approved at the P&R Committee meeting held on Monday 13th March 2017.

Prior to each P&R Committee meeting all Councillors are given copies of:

- the latest Town Council income and expenditure budgets
- accounts requiring approval for payment
- direct debits and BACS payments for approval
- the latest debtors list
- bank reconciliations for each of the Town Council's bank accounts and its Public Sector Deposit Fund

Councillors have clear instruction to consider the above financial documentation and to ask the Clerk questions prior to the P&R Committee meeting so that she can deliver answers to each at the actual meeting. All such comments are clearly recorded in the minutes of that meeting.

The Finance Working Group have responsibility for overseeing the Council's Medium Term Financial Plan in order to then present an updated Plan to the P&R Committee for re-adoption in the late Autumn of each year. As part of this process the Finance Working Group review all Council fees and charges in November of each year in order to present recommendations to P&R Committee for consideration and if approved implemented the following 1st April thereby allowing the Clerk sufficient time to give advance notice to those service users affected. In October/November the Finance Working Group will begin to prepare a draft budget for the following financial year in order that a recommendation, including precept request, can be presented to the P&R Committee in January so that sufficient time is allowed for the precept request documentation to be submitted to Durham County Council.

Over recent years the Town Council has continued to invest in its Edge Financial software package and fully utilises all elements of this package for all its financial work including budgeting work, bank reconciliation work, VAT reclaims and year end procedure. During 2019/20 training was undertaken by Town Council staff to commence effective utilisation of the package's cemetery modules. All burial information is now directly inputted onto the cemetery module, Epitaph, with a programme for reviewing/updating historical data having been agreed by the Council's Personnel Committee.

Through the act of formally approving the accounts the council asserts that it has prepared those accounts in the way prescribed by law and in accordance with proper practices.

Sedgefield Town Council has approved last year's statement of accounts on Monday 1st June 2020 at a Special Town Council meeting and these were completed in accordance of the above regulations. The accounts are to be presented in the Council's 2019/20 Annual Report which will published via the Council's website, Twitter and residents database facilities as well as printed copies in the Town Council Offices from Tuesday 2nd June 2020. (Note: Due to the COVID-19 pandemic situation in 2020, and the new emergency legislation brought into force by the government in response, no Annual Town Meeting will be held by Sedgefield Town Council in 2020/21).

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

This second statement covers the Council's responsibility to ensure that its affairs are managed in accordance with proper standards of financial conduct and arrangements exist to prevent and detect fraud and corruption. The Council, through the on-going work of its Internal Auditor throughout 2019/20, has tested those arrangements to make sure they are working in an adequate and effective way. As a result of this Internal Audit work the following reports have been produced and presented as detailed in 1 above to both the Finance Working Group and then the P&R Committee:

- On 13th May 2019 Internal Audit reports relating to Risk Management Arrangements (Full Assurance), Payroll Audit (Full Assurance), Corporate Governance Arrangements (Full Assurance) and 2018/19 End of Year Accounts (Full Assurance)
- On 9th December 2019 Internal Audit reports relating to Income and Banking for 2019/20 (Full Assurance), Allotments (Substantial Assurance) and Events – Annual Fireworks Display (Full Assurance)
- On 9th March 2020 Internal Audit reports relating to Payroll Audit (Full Assurance), Main Accounting (Full Assurance), Cemetery Income (Full Assurance) and Budgetary Control (Full Assurance)

During 2018/19 the Town Council passed a resolution to enter into an SLA with Durham County Council's HR services and to purchase their suite of HR policies. These policies were received in late April 2018. During 2018/19 these policies were put into a prioritised programme of work to enable tailoring of these to meet the needs of Sedgefield Town Council. This programme has continued during 2019/20 with the following policies having been prepared with the Personnel Committee and then being presented to P&R Committee for

formal adoption by the Town Council:

- Staff Maternity, Adoption, Paternity and Shared Parental Leave Policy (8th July 2019)
- Staff Working Time Policy (8th July 2019)
- Leave of Absence Policy (8th July 2019)
- Adverse Weather Policy (8th July 2019)
- Code of Our Values, Behaviours and Conduct (9th December 2019)
- Disciplinary Policy (9th December 2019)
- Resolution Policy (9th December 2019)

The programme of work for remaining personnel policies has a target deadline of 31st March 2021 for completion, however, it is possible that the current COVID-19 restrictions could impact upon this. The Council also has in place a clear programme for reviewing all other non-personnel policies (i.e. financial, corporate, personnel and procedural) annually with reviews being overseen by the appropriate Working Group and then recommendation being made to P&R Committee.

On 19th – 20th April 2020 the Internal Auditor completed his audit work program and an annual report submitted to the Council dated 23rd April, which covered the Town Council's internal controls based on the tests from section 4 of the Annual Governance and Accountability Return was completed. An Internal Auditor's Report will be prepared and submitted to the Town Council in order that the Internal Audit work programme already planned for 2020/2021 can be reviewed and refined if necessary, and agreed by the Town Council as a recommendation from the Finance Working Group to the P&R Committee.

Financial Regulations and Standing Orders are reviewed annually and were last reviewed by the Council in April 2019 and formally re-adopted at the Town Council's AGM on 13th May 2019. Work will take place in April 2020 to review these Regulations and Orders again and subsequently be presented to P&R Committee for formal re-adoption (Note: Due to the COVID-19 pandemic central government have introduced emergency legislation in response which does not necessitate the Town Council holding an AGM in 2020/21).

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 on its finances.'

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.'

The third and fourth statements cover the local council's responsibility to act within the law and to put in place proper arrangements to ensure that its financial affairs are conducted in accordance with the law and relevant regulations, including providing the opportunity for electors to exercise their rights to inspect the financial records and ask questions of the auditor.

The third statement confirms that the Council has only done things that it has the legal power to do, and, at the fourth statement, confirms that it has during the year allowed all persons who may be interested the opportunity to exercise their rights. A positive response confirms that the Council has also complied with the codes of practice, which it has endorsed and adopted to regulate the way in which it carries out its business.

At the Council's AGM in May 2017 the Clerk reported that following the recent local council elections the Town Council met the criteria under the General Power of Competence (Prescribed Conditions) Order 2012 to be eligible to use the General Power of Competence, a Power which had been used by the Council over the previous four years of office. It was resolved to re-affirm the Town Council's use of the General Power of Competence for the Council's current term of office.

The Internal Auditor has completed Sedgefield Town Council's Annual Return which shows that the above has been satisfactory completed, and the Internal Auditor could find no evidence that the Town Council acted outside the law or laid down regulations.

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.'

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

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

The fifth, sixth and seventh representations cover a local council's responsibility to develop, implement and regularly monitor the effectiveness of systems of internal control (see risk management section below) covering:

- the overall control environment, including internal audit;
- the identification, evaluation and management of operational and financial risks;
- budgetary control and monitoring arrangements; and
- the documentation and application of control procedures.

As reported under item 2 above, the Council's Internal Auditor during 2019/20 has undertaken a robust programme of work to continuously review the Town Council's budgeting, governance, internal controls and risk management practices. For all audit work comprehensive reports have been produced and presented to Council. Such reports are also given an assurance level rating.

The annual report from the internal auditor for 2019/20 for Sedgefield Town Council will include a prioritised Action Plan detailing ways in which some of the current systems of internal control can be enhanced. This will be presented to the P&R Committee and then progressed by the Finance Working Group to include a review of the Internal Audit work programme already planned for 2020/2021 and refined if necessary through recommendations to P&R Committee.

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.'

This eighth statement covers the local council's responsibility to conduct its financial affairs and to put in place proper arrangements to ensure that its financial standing is soundly based.

The Internal Auditor's findings in the Annual Governance and Accountability Return provides assurance that the council has considered and disclosed in the Annual Governance and Accountability Return all matters relevant to its business, including any relevant events that have taken place in the period between the end of the financial year being reported and the date of the annual return, which could have an impact on its ability to continue its work.