

SEDGEFIELD TOWN COUNCIL

REPORT

2017/18 Annual Governance Statement

Committee

Special Town Council Meeting

Monday 30th April 2018

Author

Town Clerk



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 I 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.

Dr Jane Ayre, Town Clerk

APPENDIX A

ANNUAL GOVERNANCE STATEMENT FOR SEDGEFIELD TOWN COUNCIL FOR 2017/2018:

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 2017/18 was agreed by the Council's P&R Committee at its meeting on Monday 13th March 2017. Following these audits reports are produced and presented to the Finance Working Group and recommendations then put into action by the Town Clerk and Financial Assistant/Receptionist. These reports are then shared via 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 2020/231 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

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 introduction 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 as to allow sufficient time for the precept request documentation to be submitted to Durham County Council.

During 2017/18 the Town Council has made considerable investment in the Edge Financial software package. There has been a fundamental root and branch overhaul of the Council's budget headings structure and coding, both income and expenditure, and commitment to have all financial transactions recorded solely in and analysed by the software package, including budgeting work, bank reconciliation work, VAT reclaims and year end procedures. Now the first year has been completed the second year of operation will see the Town Council explore and use the system to assist with forecasting and future planning.

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 30th April 2018 at a Special Town Council meeting and these were completed in accordance of the above regulations. The statement of accounts are to be presented at the Annual Town Meeting on 8th May 2018.

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 2017/18, 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 15th May 2017 Internal Audit reports relating to Annual Report 2016/17 (Substantial/Full Assurance), Income Collection and Banking (Full Assurance), Debtors Audit 2016/17 (Full Assurance) and Accounts Payable (Full Assurance);
- On 4th December 2017 Internal Audit reports relating to Risk Management (Substantial Assurance), Accounts Payable (Full Assurance), Allotments (Full Assurance), Income Collecting (Full Assurance) and Banking and Payroll Audit (Full Assurance);
- On 9th April 2018 Internal Audit reports relating to Budgetary Control (Full Assurance), Main Accounting (Full Assurance), Audit of Fireworks Display 2017 (Full Assurance) and Governance Arrangements for the Parish Hall (Full Assurance).

During 2017/18 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 will be received in late April 2018 and from that point they will be prioritised and work commence on tailoring them to meet the needs of Sedgefield Town Council. Once completed these will replace the existing personnel policies accompanying the Town Council's Staff Handbook and be reissued to staff. During 2017/18 the Town Council has rewritten and adopted a new Staff Handbook which brings together all personnel related policies, all of which have also been revised and updated. In addition, the Town Council has also rewritten its Gifts and Hospitality Policy as well as reviewed its Council Debt Policy plus produced an Officer and Staff Working Protocol.

On 10th and 23rd April 2018 the Internal Auditor has carried out an audit of the Town Council's internal controls and an annual report based on the tests from section 4 of the annual return was completed. An Internal Auditor's Report will now be prepared and submitted to the Town Council in order that the Internal Audit work programme already planned for 2018/2019 can be reviewed and refined if necessary agreed by the Town Council 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 2017 and formally re-adopted at the Town Council's AGM on 15th May 2017. Work is underway in April 2018 to review these Regulations and Orders again in time for presentation to the Town Council's next AGM on 14th May 2018.

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 2017/18 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 2017/18 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 2018/2019 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.