



Parish Council

## **Report RPC/2023/04**

# **Annual Governance Statement**

### **Summary:**

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.

### **Recommendations:**

- 1. To receive and note Report RPC/2023/04**
- 2. To determine if the Parish Council can answer 'Yes' to each of the assertions in the Annual Governance Statement**
- 3. To authorise the Chairman to sign the Annual Governance Statement at Section 1 of the Annual Governance and Accountability Return.**

### **Reasons for Recommendations:**

The Parish Council is asked to consider each of the assertions in turn and to answer based on the entire financial year as the return relates to the entire financial year.

### **Introduction:**

The purpose of the annual governance 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.

Smaller authorities prepare their annual governance statement by completing Section 1 of the Annual Governance and Accountability Return. This is the form of a number of statements, known as assertions, to which the authority needs to answer, 'Yes' or 'No'.

If an authority is not able to respond 'Yes' to any assertion, it needs to provide an explanation on a separate sheet describing how the authority will address the weaknesses identified. These explanations must be published along with the completed Annual Governance and Accountability Return.

## **Annual Governance Statement assertions**

### Assertion 1 – Financial management and preparation of accounting statements

**We have put in place arrangements for the 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 need to be in place and effective:**

Budgeting – The authority needs to prepare and approve a budget in a timely manner before setting a precept and prior to the commencement of the financial year. It needs to monitor actual performance against its budget during the year, taking corrective action where necessary. A financial appraisal needs to be undertaken before the authority commences any significant project or enters into any long-term commitments.

Accounting records and supporting documents – all authorities need to appoint an officer to be responsible for the financial administration of the authority in accordance with Section 151 of the Local Government Act 1972. The authority needs to have satisfied itself that its Responsible Financial Officer has determined a system of financial controls and discharged their duties under Regulation 4 of the Accounts and Audit Regulations 2015. The RFO needs to have put in place effective procedures to accurately and promptly record all financial transactions and maintain up to date accounting records throughout the year, together with all necessary supporting information. The accounting statements in Section 2 of the Annual Governance and Accountability Return need to agree to the underlying records.

Bank reconciliation - statements reconciling each of the authority's bank accounts with its accounting records need to be prepared on a regular basis, including at the financial year end and reviewed by members of the authority.

Statement of accounts – the authority needs to ensure that arrangements are in place to enable the preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices.

Reserves – the authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves.

### 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 need to be in place and effective:

Standing Orders and Financial Regulations. The authority needs to have in place standing orders and financial regulations governing how it operates. Financial regulations need to incorporate provisions for securing competition and regulating the way tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to.

Safe and Efficient Arrangements to Safeguard Public Money. Practical and resilient arrangements need to exist covering how the authority orders goods and services, incurs liabilities, manages debtors, makes payments, and handles receipts. Authorities need to have in place safe and efficient arrangements to safeguard public money.

Authorities need to regularly review the effectiveness of their arrangements to protect money. Every authority needs to arrange for the proper administration of its financial affairs and ensure that one of its officers has formal responsibility for those affairs.

Authorities need to approve the setting up of, and any changes to, accounts with banks or other financial institutions. Authorities also need to approve any decisions to enter 'pooling' or 'sweep' arrangements whereby the bank periodically aggregates the authority's various balances via automatic transfers.

The authority needs to approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates,

Risk assessment and internal controls need to focus on the safety of the authority's assets, particularly money. Those with direct responsibility for money need to undertake appropriate training from time to time.

Employment – the remuneration payable to all employees needs to be approved in advance by the authority. In addition to having robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities, the authority needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations.

VAT – The authority needs to have robust arrangements in place for handling its responsibilities regarding VAT.

Fixed Assets and Equipment – the authority's assets need to be secured, properly maintained, and efficiently managed. Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt,

Review of effectiveness – Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to conduct a financial review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement.

### 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 non-compliance 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 need to be in place and effective:

Acting within its powers – all authorities' actions are controlled by statute. Therefore, appropriate decision-making processes need to be in place to ensure that all activities undertaken fall within an authority's powers to act. Authorities need to have 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. The exercise of legal powers needs always to be carried out reasonably.

Regulations and proper practices – procedures need to be in place to ensure that an authority's compliance with statutory regulations and applicable proper practices is regularly reviewed and that new requirements, or changes to existing ones, are reported to members and applied. Authorities need to have particular regard to the requirements of the Accounts and Audit Regulations 2015.

Actions during the year – an authority needs to have satisfied 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.

#### 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.**

In order to warrant a positive response to this assertion the authority needs to have taken the following actions in respect of the previous year's Annual Governance and Accountability Return.

Exercise of public rights. The authority provided for the exercise of public rights is set out in Sections 26 and 27 of the Local Audit and Accountability Act 2014. Part 5 of the Accounts and Audit Regulations 2015 requires the RFO to have published, including on the authority's website or another website:

- Sections 1 and 2 of the Annual Governance and Accountability Return;
- The certificate of exemption
- The annual internal audit report
- Analysis of variances
- Bank reconciliation
- A statement that sets out details of how public rights can be exercised, as set out in Regulation 15(2)(b), which includes the period for the exercise of public rights

#### 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.**

In order to warrant a positive response to this assertion, the authority needs to have the following arrangements in place:

Identifying and assessing risks – the authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.

Addressing risks – Having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.

#### Assertion 6 – Internal Audit

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

In order to warrant a positive response to this assertion, the authority needs to have taken the following actions:

Internal audit – The authority needs to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes considering internal auditing guidance for smaller authorities'

Provision of information – The authority needs to ensure it 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.

#### 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 needs to have considered all matters brought to its attention by its external auditor and internal audit and then taken corrective action as appropriate.

#### 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 needs to have taken the following actions where necessary.

Significant events – the authority needs to have considered if any events that occurred during the financial year (or after the year end), have consequences, or potential consequences, on the authority's finances. If any such events are identified, the authority then needs to determine whether the financial consequences need to be reflected in the statement of accounts.

#### Assertion 9 – Trust Funds

The Parish Council does not act as a trustee.

## Section 1 – Annual Governance Statement 2022/23

We acknowledge as the members of:

☐ Ruckinge Parish 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 2023, 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.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
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.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
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.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
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.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>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.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>
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.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
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
			has met all of its responsibilities where as a body corporate it is a sole managing trustee of a local trust or trusts.
			✓

\*For any statement to which the response is 'no', an explanation must be published

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YYYY

and recorded as minute reference:

MINUTE REFERENCE

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

Chairman

SIGNATURE REQUIRED

Clerk

SIGNATURE REQUIRED

### Information required by the Transparency Code (not part of the Annual Governance Statement)

The authority website/webpage is up to date and the information required by the Transparency Code has been published.	Yes	No
	✓	

www.ruckinge-pc.gov.uk PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS