

Agenda Item:

Report to: Full Council

Date:

Subject: AGAR Report

Recommendation

1. Background

Each year for the AGAR Annual Governance Statement assertions are read out at a public meeting and the council has to answer whether they have adhered to these. I have put together this report to help you understand the meaning of the assertions.

2. Assertion 1

"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 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 or rates 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 – the parish council needs 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 RFO 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.

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.

Investments – arrangements need to be put in place to ensure that the authority’s funds are managed properly and that any amounts surplus to requirements is invested appropriately, in accordance with an approved strategy which needs to have regard to DLUHC’s Guidance on local government investments. If total investments are to exceed the threshold specified in DLUHC’s statutory guidance at any time during a financial year, the authority needs to produce and approve an annual Investment Strategy.

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 Reserves Policy and have reviewed the level and purpose of all Earmarked Reserves.

Northiam Parish Council did not undertake the correct budgeting procedures, nor bank reconciliation, nor have the correct procedure in place for reserves, so will have to say no to this assertion.

3. 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 security 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 to ensure that one of its officers (the RFO) has formal responsibility for those affairs.

Authorities need to ensure controls over money are embedded in Standing Orders and Financial Regulations. Section 150(5) of the Local Government Act 1972 required cheques or orders for payment to be signed by two elected members. Whilst this requirement has not been repealed, the two member signature control needs to remain in place until such time as the authority has put in place safe and efficient arrangements in accordance with the following bullet points.

- Authorities need to approve the setting up of, and any changes to, accounts with banks or other financial institutions.
- If held, corporate credit card accounts need to have defined limits and be cleared monthly by direct debit from the main bank account. Credit cards balances are not acceptable reconciling items for bank reconciliation purposes.
- 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 assessments 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 asset 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.

Loans and long term liabilities – Authorities need to ensure that any loan or similar commitment is only entered into after the authority is satisfied that it can be afforded and the relevant approvals have been obtained. Proper arrangements need to be in place to ensure the funds are available to make repayments of capital and any associated interest and other liabilities.

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

Northiam Parish Council did not annually consider the standing orders and financial regulations, it has not managed debtors very well, only one member has been authorising payments, there was no review of the effectiveness of the system of internal control and therefore would have to say no to this assertion.

4. 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 power to act. Authorities need to have robust procedures in place to prevent any decisions or payments being made that are ultra vires, ie. That the authority does not have the lawful power to make. The exercise of legal powers needs always to be carried out reasonably. For that reason, authorities making decisions need always to understand the power(s) they are exercising in the context of their decision making.

General Power of Competence – An authority seeking to exercise a general power of competence under the Localism Act 2011 needs to ensure that the power is fully understood and exercised in according with the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012.

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 – the 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.

Email management – every authority should have an email account that belongs to the council and which the council has access – this ideally would be a gov.uk or org.uk address or could be an address linked to the council website.

Northiam Parish Council has not acted within its powers by signing the June lease outside of a meeting, and was not complying with the correct regulations and proper practices, so would have to say no to this assertion.

5. 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 years’ Annual Governance and Accountability Return.

Exercise of Public Rights – the authority provided for the exercise of public rights is set out in Section 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.

- Section 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 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.

External Auditors 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, was published in accordance with the requirements of Regulation 16 of the Accounts and Audit Regulations 2015.

Northiam Parish Council did not comply with the publication requirements for the 2021/ 2022 AGAR, so will have to say no to this assertion.

6. 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 appropriate.”

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.

I believe the parish council is complying with all of the above.

7. 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.

I believe the parish council is complying with all of the above.

8. 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 taken corrective action as appropriate.

I believe the parish council is complying with all of the above.

9. Assertion 8 – Significant Events

“We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after year end, have a financial

impact on this small authority and, where appropriate have included them in the accounting statement”.

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 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.

I believe the parish council is complying with all of the above.

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Date: 29th May 2023