

Report to: Hurworth Parish Council
Date: May 2018
Report of: Clerk to the Parish Council
Subject: Annual Governance Statement 2017/2018

1 Purpose of the Report

- 1.1 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 as shown in Section 1 of the Annual Governance and Accountability Return (A.G.A.R.)

2. Consultation

- 2.1. In preparing this report I have consulted with the Internal Auditor.

3. Background

- 3.1. The Annual Governance Statement (AGS) replaced the Statement on Internal Control and 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.
- 3.2. 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.
- 3.3. Although councils have always provided some assurance to taxpayers through approving the annual return, members also need to strengthen this assurance by providing a written annual governance statement. Councillors, working as a corporate body, will need to be able to provide this assurance to stakeholders with confidence. The assurance must therefore be based on adequate information about the operation of internal controls within their councils.
- 3.4. The public accountability framework encourages openness and transparency from local councils by requiring that the annual return and external audit reports are made public. Councils should consider also making available to local taxpayers, internal audit and other third party reports to demonstrate their commitment to inclusiveness, openness and transparency.
- 3.5. It is the Council as a whole, however, that is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of their functions and which include arrangements for the management of risk.
- 3.6. Under the regulations, all local councils are required at least once a year to conduct, in accordance with proper practices, a review of the effectiveness of their system of internal control and publicly report the outcome. This annual governance review must include a separate review of internal audit
- 3.7. 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.
- 3.8. These eight statements of assurance are shown as **Appendix A** with explanations given, and how Hurworth Parish Council has given assurance on their governance arrangements. More detail can be seen in the Annual Internal Report.

ANNUAL GOVERNANCE STATEMENT FOR HURWORTH PARISH COUNCIL FOR 2017/2018

1. 'We have approved the statement of accounts which has been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.'

This first statement covers the accounts of the local council. 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.

Hurworth Parish Council has approved the statement of accounts, and these were examined by the Internal Auditor and were completed in accordance of the above regulations.

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 also asserts that it has tested those arrangements at least once in the year to make sure they are working in an adequate and effective way.

The Internal Auditor has carried out an audit of the Parish Council's internal controls and an annual report based on the tests from part 4 of the A.G.A.R. was submitted.

3. 'We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the council to conduct its business or on its finances.'

4. 'We have 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.

Hurworth Parish Council has good procedures and policies in place which are updated when required and are shown on the Council's website.

The Council has approved the Annual report from the Internal Auditor, which shows that the above statements have been satisfactorily completed with no recommendations to improve the internal controls, and the Internal Auditor could find no evidence that the Parish Council acted outside the law or laid down regulations.

5. We have carried out an assessment of the risks facing the council and taken appropriate steps to

manage those risks, including the introduction of internal controls and/or external insurance cover where required.'

6. 'We have maintained throughout the year an adequate and effective system of internal audit of the council's accounting records and control systems and carried out a review of its effectiveness through the internal control report.

7. 'We have taken 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.

Hurworth Parish Council has approved the Annual report from the Internal Auditor, which shows that there had been a satisfactory system of internal control maintained for the year.

There was a review of the annual risk assessment carried out by the Council, with risks to the Parish Council being improved with the appointment of the independent Internal Auditor who gives assurance on the Council's activities, and the overview of a Finance Sub Committee.

8. 'We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the council and, where appropriate have included them in the statement of accounts.'

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.

Hurworth Parish Council has approved the Annual report from the Internal Auditor, which shows that there has been a satisfactory system of internal control maintained during the year.

This statement provides assurance that the Parish Council has considered and disclosed in the annual return all matters relevant to its business, including any relevant events that has 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.