

**REPORT TO A MEETING OF ROYAL LEAMINGTON SPA TOWN COUNCIL TO BE HELD ON 16<sup>th</sup> JULY 2020**

**ANNUAL GOVERNANCE STATEMENT AND RETURN OF ACCOUNTS 2019/20**

**1. PURPOSE OF THE REPORT**

To approve the completion of the Annual Governance Statement and Return of Accounts as required by the Accounts and Audit Regulations 2015.

**2. RETURN OF ACCOUNTS**

2.1 Local Councils in England with an annual turnover of £6.5 million or less must complete the Annual Governance and Accountability Return summarising their activities at the end of each financial year. Ordinarily each Council must approve the annual return and publish it no later than 1<sup>st</sup> July, but in view of the exceptional circumstances arising from the Covid-19 pandemic the timetable has been extended in 2020. As a consequence, there is no requirement for a common period for the exercise of public rights. Parish and Town Councils are still required to set a period for this purpose, but the only requirement is that the 30-working day period for the exercise of public rights should start on or before the first working day of September, i.e. on or before 1 September 2020.

2.2 The Annual Return is set out in a prescribed form and is included at **Appendix 1**. Section 1 of the Return is the Statement of Annual Governance which seeks to ensure that the Council is able to certify and provide evidence that it has maintained a sound system of internal control, including the preparation of the relevant accounting statements. Section 2 of the Return summarises the financial information contained within the Council's Accounts. Section 3 of the Return consists of the External Auditor's report and statement to be completed at the close of the Audit. All three parts are preceded by the Report of the Internal Auditor which should be considered by the Council prior to consideration of the Annual Governance Statement and accounting statements. The Council must approve the Statement of Annual Governance before the Accounting statements.

2.3 The Council's accounting statements, from which the information in the Annual Return is prepared, are contained at **Appendix 2** of the Report. The Town Council applies the practices set out in "Governance and Accountability for smaller Authorities in England" drawn up by NALC and the Society of Local Council Clerk's in preparing accounts through the expenditure and income method. The Council is also bound by law and the provisions of the relevant Accounts and Audit Regulations and the Smaller Bodies Transparency Code 2014.

**3. ANNUAL GOVERNANCE STATEMENT**

3.1 Section 1 of the Return seeks to establish that the Council has in place appropriate measures to manage its financial assets and liabilities and ensure that it is protected against fraud and corruption. In addition, as with all public bodies, there is a

requirement that electors for the area are afforded opportunity to examine and inspect the Council's accounts and financial records.

Evidence of the Council's compliance with the various statements at Section 1 of the Return is provided in the following summary:-

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

Evidence: The Expenditure and Income Account and Bank Reconciliation are at **Appendix 2** and follow established accounting practice. For this Council the accounts are prepared in accordance with the income and expenditure method as specified in the Accounting Regulations. The Policy and Resources Committee periodically receives reconciliation statements during the year

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

Evidence: Measures to control fraud and corruption are included in the Council's Standing Orders and Financial Regulations, a copy of which is provided to all Members with the Council Handbook. For small authorities, such as Leamington Spa Town Council, Financial Regulations are the means by which fraud and corruption are most effectively controlled. In addition, the Policy and Resources Committee considers any recommendations from Council arising from the Report of the Internal Auditor and approves action as appropriate. The Council's Financial Regulations were last revised and adopted at the Council meeting on 19<sup>th</sup> January 2015.

3. The Council takes all reasonable steps to be assured 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 the Council to conduct its business or finances.

Evidence: Reports are submitted to Committees and Council on any matter involving the provision of a new service or expenditure not previously approved. These reports include reference to any statutory requirements and advisory codes where appropriate. A recent example is the Report to the Policy and Resources Committee on the possible future funding of street cleansing services.

4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the Accounts and Audit regulations.

Evidence: A copy of the Public Notice published on 31<sup>st</sup> May 2019 is appended **(Appendix 3)**.

5. We carried out an assessment of the risks facing the Council and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover, where required.

Evidence: Internal Risk Assessments are conducted as appropriate whenever any new activity is commenced. Financial Regulations and Insurance are the two measures used by this Council to manage its exposure to risk and these are both reviewed periodically. The risks faced by the Council are limited in view of the relatively small number of services delivered directly but exposure to financial risks are assessed and appropriately weighted before undertaking any new activity.

A report identifying the risks faced by the Council and the measures in place to control and manage those risks was considered by the Council on **9<sup>th</sup> March, 2020**.

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

Evidence: The Council confirmed the appointment of a new Internal Auditor –Mr John Plumb- at the meeting on 9<sup>th</sup> September 2015. The Internal Auditor is given full access to all accounting records, Minutes of Meetings and background papers and is able to report directly to Councillors on any matter concerning financial probity.

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

Evidence:

The Internal Auditor's letter was considered by the Council at the meeting on 23<sup>rd</sup> May 2019. The Internal Auditor had made one recommendation, namely:-

*The Internal Auditor had commented favourably on the maintenance of the Council's financial records but had suggested that in future years a reserve should be set aside for an additional pension payment due after the close of the accounts.*

Action: The need for a reserve no longer arises as the schedule of pension payments has been adjusted to ensure that there is no accrued liability at the end of the financial year.

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 the Council and where appropriate are included in the accounting statements.

Evidence: These aspects are dealt with in reports to Committees and Council and are reflected in the accounts and any additional evidence is submitted to the external auditor.

9. We discharged accounting responsibilities in relation to the funds and assets of Trust Funds where the Council is the sole managing Trustee.

Evidence: All the obligations in terms of activity and financial reporting required by the Charity Commission have been met.

3.2 The Council's Internal Auditor has undertaken and completed the audit of the Council's Accounts and supporting financial records and his Report will be included as an Appendix to this Report.

#### 4. **RECOMMENDATION**

The Council is recommended to:-

- (a) consider and receive the Report of the Internal Auditor and act upon his recommendations;
- (b) consider and approve the Annual Governance Statement 2019/20 (Appendix 1); and
- (c) consider and approve the Accounting Statements 2019/20 (Appendix 2)
- (d) note the Council's compliance with the requirements in relation to the exercise of public rights of inspection (Appendix 3)