



CLERK'S ADVISORY NOTICE – 01/06/2022

Summary of Annual Governance and Accountability Return (AGAR) Process

Any authority receiving income or incurring expenditure in 2021/22 of over £200,000 but less than £6.5 million has to complete an intermediate review. This involves completing the Annual Governance and Accountability Review (AGAR) Part 3 and submitting certain required documents. During the Financial Year 2021/22, SMPC received income of £322,987. Expenditure was £166,772.

There are 2 parts to the AGAR that the Council must complete and sign:

1. Section 1 – Annual Governance Statement – AGAR page 4. This is completed and approved by the authority. The authority MUST approve Section 1 before approving Section 2. Section 1 is signed by the Chairman and Clerk and the date and minute reference of the meeting of the authority at which it was approved is recorded.
2. Section 2 – Accounting Statements – AGAR page 5. This is completed and signed by the RFO. The date and minute reference of the meeting of the authority at which it was approved is recorded and it is then signed by the Chairman.

Once completed, AGAR Sections 1 and 2 and the Annual Internal Audit Report must be returned to the external auditor by either email or post before the 1st of July 2022. SMPC must also submit the following supporting documents:

1. Bank reconciliation as at 31st March 2022.
2. Explanation of difference between Box 7 and Box 8.
3. An explanation of significant year on year variances in the accounting statements i.e. variances of more than 15% between totals for individual boxes.
4. Explanation for “high” reserves. This is required when total reserves are more than twice the annual precept.
5. Notification of the commencement date of the period for the exercise of public rights. The Responsible Financial Officer (RFO), on behalf of the authority, must set the period for the exercise of public rights. From the commencement date for a single period of 30 consecutive working days, the approved accounts and accounting records can be inspected. Whatever period the RFO sets it must include a common inspection period – during which the accounts and accounting records of all smaller authorities must be available for public inspection – of the first ten working days of July.
6. Completed contact form.



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Under the Accounts and Audit Regulations 2015, before 1st July authorities must publish the following information on a publicly accessible website:

1. Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited.
2. Section 1 - Annual Governance Statement, approved and signed.
3. Section 2 - Accounting Statements, approved and signed.

Evidence that this has been done has to be provided as it is required by the internal auditor as part of the AIAR.

Once the external auditor has completed the review and is able to give an opinion on the limited assurance, the External Auditor Report and Certificate will be returned to the authority by email or post. Before 30th September 2022 authorities must publish:

1. Notice of conclusion of audit.
2. Section 3 – External Auditor Report and Certificate.
3. Sections 1 & 2 of AGAR including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that the Annual Internal Audit Report is also published.

Section 1 – Annual Governance Statement

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 in 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 to the external auditor on a separate sheet describing how the authority will address the weaknesses identified. These explanations must be published along with the completed AGAR

Below are the "assertions" and examples of appropriate evidence to support a 'Yes' answer to an assertion. Further information can be obtained from: *JPAG – Joint Panel on Accountability and Governance – Governance and Accountability For Smaller Authorities in England*: [file \(nalc.gov.uk\)](http://file.nalc.gov.uk)



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

- Budgeting:
 - A budget was prepared prior to setting the precept. The budget has been regularly reviewed monitored against actual income and expenditure. Changes to budget line items have been formally agreed where necessary.
- Accounting records and supporting documents:
 - The Council has appointed a RFO to undertake responsibility for financial administration of the Council.
 - Financial control systems have been determined.
 - The RFO has maintained up to date accounting records with supporting information which was regularly presented to F&GP and Full Council.
 - The accounting statements in Section 2 of the AGAR agree to the underlying records.
- Bank reconciliation:
 - Bank reconciliations have been completed on a monthly basis and have been reviewed by a councillor and reported to F&GP and Full Council.
- Statement of Accounts
 - The authority has ensured that arrangements are in place to enable preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices.
- Reserves:
 - A Reserve Policy has been agreed. General Reserves have been maintained at an acceptable level. The Ear Marked Reserves have been reviewed and agreed.

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.

- Standing Orders and Financial Regulations:
 - The Standing Orders and Financial Regulations, based on the NALC model templates, were reviewed, updated and adopted in March 202. Another review is currently in process. The Standing Orders and Financial Regulations govern the controls over the Council's money.
- Safe and efficient arrangements to safeguard public money:



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- Procurement and payment process have been carried out in accordance with the Council's Standing Orders and Financial Regulations.
 - Payments authorised by the Chairman/Vice-Chairman were reported to Full Council at the next appropriate meeting.
 - Other payments were authorised by Full Council.
 - A schedule of regular/annual payments by direct debit and standing order were approved by the Council.
 - At least two councillors signed cheques and confirmed the payment details against the corresponding invoice.
 - Electronic banking is now in place and two councillors approve new payee details and authorise payments that have been agreed by the Chairman or Vice-Chairman or by Full Council.
 - Cash and cheques were banked promptly.
 - The Lloyds credit card has defined limits as per the Financial Regulations and is cleared monthly by direct debit.
 - The risk to public money is reviewed as part of the Risk Register.
- VAT liability is considered and accounted for, and VAT returns submitted on a quarterly basis.
- Employment:
 - The remuneration to all employees was approved in advance.
 - The Council uses payroll software which helped to ensure accuracy of payments.
 - Employees are paid in accordance with PAYE and NIC requirements.
 - Two councillors checked and signed the monthly payroll and payments.
 - PAYE and NIC liabilities were paid promptly to HMRC.
 - Pension arrangements are in place.
 - Employers' liability insurance and fidelity guarantee insurance were in place.
 - Employment matters were considered by the Personnel Sub-Committee.
 - Employment policies were reviewed and put in place in 2018.
- Risk Assessment and Internal Controls:
 - A quarterly review of the bank reconciliation was undertaken by a councillor and reported back to F&GP and the Council.
 - A quarterly Internal Control was undertaken by a councillor and reported back to F&GP and the Council.
 - F&GP undertook an annual review of the effectiveness of the system of internal control (Statement of Internal Control) and reported back to the Council.
 - A initial review of the Risk Register was undertaken and a more thorough review is in progress.
- Fixed Assets and Equipment:



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- The Asset Register was maintained throughout the year and was reviewed by F&GP and Full Council.

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 authority to conduct its business or manage its finances.

- Acting within its powers:
 - Consideration was given to the legal power the Council being exercised when deciding on any action including to spend public money.
 - The Council now has General Power of Competence which was confirmed at its meeting of the 13/01/2022.
- Regulations and proper practices:
 - The Council has kept up to date with new regulations and latest versions of existing ones through training, and publications from NALC, SLCC etc.
 - A section is now available on the Council's website to enable it to publish the information required for it to comply with the Local Government Transparency Code 2015. The Local Government Transparency Code 2015 applies to parish and town councils with annual turnover more than £200,000. Due to CIL monies received of £156,068, the Council's turnover has risen from £173,932 in 2020/21 to £322,987 in 2021/22.

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.

- Notice of Public Rights and AGAR (Unaudited):
 - For the financial year 2020/2021 this was posted on the website and Council noticeboards on the 30th of June 2021 giving any interested persons, from Thursday the 1st of July 2021 – Wednesday the 11th of August 2021, the right to inspect and make copies of the AGAR and the accounting records inclusive.
- Limited assurance review by the external auditor:
 - In accordance with Regulation 13, after the conclusion of the period for the exercise of public rights the Council published on its noticeboards and website the annual governance statement, statement of accounts and the external auditor's certificate and report. Sections 1, 2, and 3 of the Annual Governance and Accountability Return. Copies are kept for purchase for 5 years.



Assertion 5: Risk management: 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.

- Risk Register:
 - The Council identifies, assesses and records risks and mitigating actions on its Risk Tracker.
 - The Risk Tracker was reviewed by F&GP on the 1st March 2022 and received by the Council on the 10th of March 2022. It was decided to undertake a further review of the Risk Tracker which is currently in progress.

Assertion 6: Internal audit: We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

- The Council instructed an internal auditor to undertake both a mid-term and end of year audit to evaluate the effectiveness of its risk management, control and governance processes.
- The second internal audit was undertaken on the 19th of May 2022 and a summary of the findings was provided in a report. Once the figures in Section 2 Accounting Statements of the AGAR have been approved by the Council, the internal auditor will complete the Annual Internal Audit Report (AIAR) for submitting to the external auditors.

Assertion 7: Reports from auditors: We took appropriate action on all matters raised in reports from internal and external audit.

No matters were raised by either the internal or external Auditors.

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 authority and, where appropriate, have included them in the accounting statements.

No significant events have occurred.

Assertion 9: Trust Funds – N/A