

Ringwood Town Council

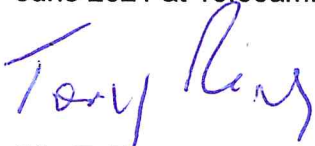
Ringwood Gateway, The Furlong, Ringwood, Hampshire BH24 1AT
Tel: 01425 473883
www.ringwood.gov.uk

SUMMONS

Dear Member

18th June 2021

You are hereby summoned to attend an EXTRAORDINARY meeting of the Town Council to be held in the Forest Suite, Ringwood Gateway, The Furlong, Ringwood on Thursday 24th June 2021 at 10.00am.



Cllr. T. Ring
Town Mayor

AGENDA

1. To receive Apologies for Absence
2. To receive Declarations of Interest
3. **ANNUAL GOVERNANCE & ACCOUNTABILITY RETURN 2020/21**
To consider and approve the Annual Governance & Accountability return 2020/21 part 3 (*Report B*):
 - i. Section 1 - The Annual Governance Statement
 - ii. Section 2 - The accounting statements for 2020/21

If you would like further information on any of the agenda items, please contact Mr Chris Wilkins, Town Clerk, on 01425 484720 or chris.wilkins@ringwood.gov.uk

Council Members:

Chairman: Cllr Tony Ring, Town Mayor
Vice-Chairman: Cllr Philip Day, Deputy Mayor
Cllr Andy Briers
Cllr Gareth DeBoos
Cllr Hilary Edge
Cllr Rae Frederick
Cllr John Haywood
Cllr Jeremy Heron
Cllr Peter Kelleher
Cllr Darren Loose
Cllr Gloria O'Reilly
Cllr Steve Rippon-Swaine
Cllr Derek Scott
Cllr Glenys Turner

REPORT TO POLICY & FINANCE COMMITTEE – 23rd JUNE 2021
ANNUAL GOVERNANCE & ACCOUNTABILITY RETURN 2020/21

1. BACKGROUND

- 1.1 The Annual Governance and Accountability Return (AGAR) is a statutory return that we are required to submit to our external auditors each year. Sections 1 and 2 of the return must be approved by the Council by the 30th June and published on the Council's website by the 1st of July.
- 1.2 Sections 1 and 2 of the return , together with the internal auditor's report and supporting documentation must be submitted to the external Auditor, PKF Littlejohn by the 2nd of July (unless an extension is agreed).
- 1.3 The AGAR is appended together with a copy of the internal auditor's annual report and a draft notice of the period for the exercise of public rights which must also be published on the Council's website as required by the Accounts and Audit Regulations 2015.

2. AGAR 2020/2021

- 2.1 The issues that caused problems in producing the AGAR for 2019/20 have all been resolved and all movements and balances have now been reconciled for the financial year 2020/21. The internal auditor has concluded his review of finances and control measures and the AGAR is now ready for approval by Council and onward submission to the external auditor.
- 2.2 The AGAR consists of four parts:
 - the annual Internal Auditor's report and assurance on control measures,
 - Section 1, the Annual Governance Statement which must be approved by the Council before Section 2,
 - Section 2, the Accounting Statements for 2020/21.
 - Section 3, The final part, is to be completed by the external Auditor prior to publication by the Council by the end of September.
- 2.3 Each part of the AGAR is discussed in more detail below.

3. Internal Audit report and Assurance Opinion

- 3.1 The internal auditor has concluded that "***There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited***".
- 3.2 There were two areas which the auditor highlighted for management action. The first of these is in respect of a review of the Council's Financial Regulations which had been deferred pending the introduction of the new financial system, Edge, whilst processes were adapted in line with operation of the new system. This review is now underway, and a report will be brought to this committee before the end of September.
- 3.3 The second matter raised by the internal auditor concerns the exercise of public rights and in particular compliance with the detailed requirements of the legislation. In 2020/21, completion of the AGAR was delayed by a number of issues arising from the introduction of the Edge finance system. These were subsequently resolved and explained to the auditors at the time and an extension to the submission deadline to the end of September 2020 was agreed. However, whilst the submission was made immediately following approval of the

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AGAR by the Council at the meeting on the 30th September, the external auditor was unable to complete their review until the end of November and as a result we were unable to comply with the revised publishing deadline of November 30th as required by the legislation.

- 3.4 It is for this reason too that the auditor has responded “No” to sections M and N of the internal audit opinion on the AGAR.
- 3.5 The full internal auditor report, together with management responses is included at Appendix 2.

4. AGAR 2020/21 Section 1, Annual Governance Statement

- 4.1 The annual governance statement is the Council’s declaration that it maintains a sound system of internal control. The internal auditor has confirmed that there is a generally sound system of governance, risk management and control in place.
- 4.2 However, part 4 asks whether, “***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 this case, because we were unable to comply with the regulations in respect of the previous year annual return as explained above, we have answered “no”
- 4.3 We are able to confirm agreement with all of the other aspects of governance and internal control.
- 4.4 This section must be approved before section 2 is approved.

5. AGAR 2020/21 Section 2, Accounting Statements 2020/21

- 5.1 The accounting statements have been prepared on an accruals basis rather than a cash basis which means that year end debtors and creditors are brought into the accounts. All figures agree to the underlying financial records and cash balances are supported by bank statements.
- 5.2 Line 7, the statement of balances carried forward includes a sum of £14,616 in respect of rent and key deposits. The figure of £579,996 corresponds with the total value of reserves and provisions at the 31st March, reported elsewhere on the agenda.
- 5.3 The accounting statements concur with the year end financial reports previously submitted to this committee.

6. AGAR 2020/21 Section 3

- 6.1 Section 3 is to be completed by the external auditor, PKF Littlejohn, following submission of the AGAR and supporting documentation. Their response and certificate must be published by the Council by the 30th September.

7. Notice of Exercise of Public Rights

- 7.1 The Council is required to publish a notice to confirm of the exercise of public rights to examine the financial records of the Council. As part of this process we are required to inform the external auditor of the proposed dates for the exercise of public rights.
- 7.2 The requirements are that a period of 30 working days be made available. This period must start no later than the 1st of July and must include the first 10 working days of July.
- 7.3 The AGAR is scheduled to go before an extraordinary meeting of the Council on the 24th of June, subject to this Committee’s endorsement. It is proposed therefore that the dates for the exercise of public rights be from Monday 28th June to Friday 6th August.

8. RECOMMENDATIONS

It is **recommended** that:-

- 8.1 Members note the internal auditor's annual report together with the management responses.
- 8.2 The 2020/2021 Annual Governance and Accountability Return be submitted to Council for approval.
- 8.3 Members approve the dates selected for the exercise of public rights.

For further information please contact:

Rory Fitzgerald, Finance Manager or

Tel: 01425 484723

rory.fitzgerald@ringwood.gov.uk

For further information please contact:

Chris Wilkins, Town Clerk

Tel: 01425 484720

Chris.wilkins@ringwood.gov.uk

To be completed by Local Councils, Internal Drainage Boards and other Smaller Authorities*:

- where the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; or
- where the higher of gross income or gross expenditure was £25,000 or less but that:
 - are unable to certify themselves as exempt (fee payable); or
 - have requested a limited assurance review (fee payable)

Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2020/21

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Part 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with *Proper Practices*.
2. **The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:**
 - The **Annual Internal Audit Report must** be completed by the authority's internal auditor.
 - **Sections 1 and 2 must** be completed and approved by the authority.
 - **Section 3** is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved and published on the authority website/webpage **before 1 July 2021**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or is requesting a limited assurance review, **must** return to the external auditor by email or post (not both) **no later than 30 June 2021**. Reminder letters will incur a charge of £40 +VAT:
 - the Annual Governance and Accountability Return Sections 1 and 2, together with
 - a bank reconciliation as at 31 March 2021
 - an explanation of any significant year on year variances in the accounting statements
 - notification of the commencement date of the period for the exercise of public rights
 - Annual Internal Audit Report 2020/21

Unless requested, do not send any additional documents to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed the limited assurance review and is able to give an opinion, the Annual Governance and Accountability **Section 1, Section 2 and Section 3 – External Auditor Report and Certificate** will be returned to the authority by email or post.

Publication Requirements

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

Before 1 July 2021 authorities **must** publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- **Section 1 - Annual Governance Statement 2020/21**, approved and signed, page 4
- **Section 2 - Accounting Statements 2020/21**, approved and signed, page 5

Not later than 30 September 2021 authorities **must** publish:

- Notice of conclusion of audit
- **Section 3 - External Auditor Report and Certificate**
- **Sections 1 and 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 you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

**for a complete list of bodies that may be smaller authorities refer to schedule 2 to the Local Audit and Accountability Act 2014.*

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Guidance notes on completing Part 3 of the Annual Governance and Accountability Return (AGAR) 2020/21

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this AGAR. *Proper Practices* are found in the *Practitioners' Guide** which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the AGAR is complete (no highlighted boxes left empty), and is properly signed and dated. If the AGAR contains unapproved or unexplained amendments, it may be returned and additional costs will be incurred.
- The authority **should** receive and note the Annual Internal Audit Report before approving the Annual Governance Statement and the accounts.
- Use the checklist provided below to review the AGAR for completeness before returning it to the external auditor by email or post (not both) no later than 30 June 2021.
- The Annual Governance Statement (Section 1) must be approved on the same day or before the Accounting Statements (Section 2) and evidenced by the agenda or minute references.
- The Responsible Financial Officer (RFO) must certify the accounts (Section 2) before they are presented to the authority for approval. The authority must in this order; consider, approve and sign the accounts.
- The RFO is required to commence the public rights period as soon as practical after the date of the AGAR approval.
- Do not send the external auditor any information not specifically requested. However, **you must inform your external auditor about any change of Clerk, Responsible Financial Officer or Chairman, and provide relevant authority owned generic email addresses and telephone numbers.**
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the AGAR covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (**Section 2, page 5**). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide**.
- Explain fully significant variances in the accounting statements on **page 5**. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the full variance.
- If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or variances are not fully explained, additional costs may be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2020) equals the balance brought forward in the current year (Box 1 of 2021).
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the commencement date for the exercise of public rights of 30 consecutive working days which **must** include the first ten working days of July.
- The authority **must** publish on the authority website/webpage the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor **before 1 July 2021**.

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?		
	Has all additional information requested, including the dates set for the period for the exercise of public rights , been provided for the external auditor?		
Internal Audit Report	Have all highlighted boxes been completed by the internal auditor and explanations provided?		
Section 1	For any statement to which the response is 'no', has an explanation been published?		
Section 2	Has the authority's approval of the accounting statements been confirmed by the signature of the Chairman of the approval meeting?		
	Has an explanation of significant variations from last year to this year been published?		
	Has the bank reconciliation as at 31 March 2021 been reconciled to Box 8?		
	Has an explanation of any difference between Box 7 and Box 8 been provided?		
Sections 1 and 2	Trust funds – have all disclosures been made if the authority as a body corporate is a sole managing trustee? NB: do not send trust accounting statements unless requested.		

**Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices*, can be downloaded from www.nalc.gov.uk or from www.ada.org.uk

ENTER NAME OF AUTHORITY

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.			
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.			
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.			
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.			
H. Asset and investments registers were complete and accurate and properly maintained.			
I. Periodic bank account reconciliations were properly carried out during the year.			
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.			
K. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")</i>			
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.			
M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .			
N. The authority has complied with the publication requirements for 2019/20 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .			
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

DD/MM/YYYY DD/MM/YYYY DD/MM/YYYY

ENTER NAME OF INTERNAL AUDITOR

Signature of person who carried out the internal audit

SIGNATURE REQUIRED

Date

DD/MM/YYYY

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

B Section 1 – Annual Governance Statement 2020/21

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

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 2021, 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

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

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

DD/MM/YY

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

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

ENTER NAME OF AUTHORITY

	Year ending		Notes and guidance
	31 March 2020 £	31 March 2021 £	
			<i>Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.</i>
1. Balances brought forward			<i>Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.</i>
2. (+) Precept or Rates and Levies			<i>Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.</i>
3. (+) Total other receipts			<i>Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.</i>
4. (-) Staff costs			<i>Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.</i>
5. (-) Loan interest/capital repayments			<i>Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).</i>
6. (-) All other payments			<i>Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).</i>
7. (=) Balances carried forward			<i>Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).</i>
8. Total value of cash and short term investments			<i>The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.</i>
9. Total fixed assets plus long term investments and assets			<i>The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.</i>
10. Total borrowings			<i>The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).</i>
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	<i>The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.</i>
			<i>N.B. The figures in the accounting statements above do not include any Trust transactions.</i>

I certify that for the year ended 31 March 2021 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval

SIGNATURE REQUIRED

Date

DD/MM/YY

I confirm that these Accounting Statements were approved by this authority on this date:

DD/MM/YY

as recorded in minute reference:

MINUTE REFERENCE

Signed by Chairman of the meeting where the Accounting Statements were approved

SIGNATURE REQUIRED

B Section 3 – External Auditor’s Report and Certificate 2020/21

In respect of

ENTER NAME OF AUTHORITY

1 Respective responsibilities of the auditor and the authority

Our responsibility as auditors to complete a **limited assurance review** is set out by the National Audit Office (NAO). A limited assurance review is **not a full statutory audit**, it does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and hence it **does not** provide the same level of assurance that such an audit would. The UK Government has determined that a lower level of assurance than that provided by a full statutory audit is appropriate for those local public bodies with the lowest levels of spending.

Under a limited assurance review, the auditor is responsible for reviewing Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with NAO Auditor Guidance Note 02 (AGN 02) as issued by the NAO on behalf of the Comptroller and Auditor General. AGN 02 is available from the NAO website – <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/> .

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2021; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

2 External auditor’s limited assurance opinion 2020/21

(Except for the matters reported below)* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the authority:

(continue on a separate sheet if required)

3 External auditor certificate 2020/21

We certify/do not certify* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2021.

*We do not certify completion because:

External Auditor Name

ENTER NAME OF EXTERNAL AUDITOR

External Auditor Signature

SIGNATURE REQUIRED

Date

DD/MM/YY

Annual Internal Audit Report 2020/21

Ringwood Town Council

<https://www.ringwood.gov.uk/>

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")			✓
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.			✓
M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).		✓	
N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).		✓	
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes ✓	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

06/05/2021 07/05/2021 25/05/2021

Name of person who carried out the internal audit

Nigel Spriggs

Signature of person who carried out the internal audit

N D Spriggs

Date 03/06/2021

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Southern Internal Audit Partnership

Assurance through excellence
and innovation

Ringwood Town Council

Internal Audit Report

**Supplementary Paper to Annual Governance and
Accountability Return 2020/21 Part 3**

03 June 2021

Prepared by: Nigel Spriggs.

FINAL REPORT

1. Introduction

- 1.1 The scope of this review was to ensure that adequate control exists over the internal control objectives specified under points A-M of the Annual Governance and Accountability Return 2020/21 Part 3.
- 1.2 We are grateful to Chris Wilkins, Jo Hurd and Rory Fitzgerald for their assistance during the course of the audit.

2. Objectives

- 2.1 This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:
 - Appropriate accounting records have been properly kept throughout the financial year.
 - The Town Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
 - The Town Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
 - The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
 - Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
 - Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
 - Salaries to employees and allowances to Members were paid in accordance with the Authority's approvals, and PAYE and NI requirements were properly applied.
 - Asset and investments registers were complete and accurate and properly maintained.
 - Periodic and year-end bank account reconciliations were properly carried out.
 - Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

- The Town Council demonstrated that during the previous year (2019-20) it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.
- The authority has complied with the publication requirements for the 2019/20 AGAR.
- The Town Council has met its responsibilities as a trustee.

2.2 We also confirmed that point 'K' relating to Authorities which had declared themselves exempt from undergoing a limited assurance review in 2019/20 was to be marked as 'not covered' as Ringwood Town Council had a limited assurance review in 2019/20 and that point 'L' relating to Authorities with an annual turnover not exceeding £25,000 was not applicable and, therefore, also to be marked as 'not covered'.

3. Circulation List

3.1 This document has been circulated to the following:

Chris Wilkins, Town Clerk


Rory Fitzgerald, Responsible Finance Officer (RFO)



Chartered Institute of
Internal Auditors

The Southern Internal Audit Partnership conforms to the IIA's professional standards and its work is performed in accordance with the International Professional Practices Framework (*endorsed by the IIA*).

4. Summary Findings

Assurance Opinion		
Reasonable		There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Recommended Action(s)	
High	5
Medium	0
Low	0
Total	5

Key Observations
<p>Areas assessed to be working well/controls are effective</p> <ul style="list-style-type: none"> Detailed financial results comparing year-to-date actuals against budget are compiled and reported to the Policy & Finance Committee on a monthly basis in a format which provides an audit trail to original transactions within the Council's Financial Information System (Edge). Testing of nineteen points within the Financial Regulations found sixteen fully compliant and two not applicable due to no related transactions during 2020/21. An issue with a single non-compliant point relating to annual review of the Financial Regulations is addressed elsewhere within this report.

- Payments to suppliers were supported by invoices and authorised via Edge workflows with VAT appropriately accounted for. Testing of procurements via petty cash found that floats had been balanced and transactions were coded and posted to Edge in a timely manner. VAT returns can be substantiated to transactional level within Edge and the RFO is responsible for ensuring returns are submitted within HMRC's deadlines.
- Sales invoices were raised in compliance with the Council's current charging policies and correctly coded with VAT appropriately accounted for.
- A financial risk review on the potential effects of COVID-19 was presented to the Policy & Finance Committee in May 2020 and an annual financial risk assessment in November 2020. Risk assessments for new projects and activities are conducted and presented to the Policy & Finance Committee as necessary.
- Draft budgets setting out 2020/21 and 2021/22 precepts were presented to the Policy & Finance Committee and then Full Council by January 2020 and January 2021 respectively. Year-to-date actuals against budget were reported to the Policy and Finance Committee at each meeting, along with executive summaries, summaries of cash-book movements and transfers to and from reserves. General reserves have been maintained in line with guidelines, with additional commentary provided as necessary.
- Testing of payroll transactions found that the specialist company contracted to ensure monthly salary, PAYE, NI and Members' allowance payments are correct are being provided with the correct information in a timely manner. Internal controls around these processes and the subsequent posting of anonymised payroll costs to Edge are robust.
- The RFO maintains a comprehensive fixed asset register with additions and disposals updated as required. A record is made of the last time each asset was checked. The Policy & Finance Committee reviewed the register in March 2021 and approved increasing the de-minimus level to £100.
- Bank statements are reconciled by the RFO on a monthly basis and testing of all reconciliations for September 2020 confirmed they agreed to bank statements and the cash-book summary presented to the Policy and Finance Committee. Cross-referencing of the year-end reconciliations confirmed they agreed to bank statements and verbal confirmation was given that these balances would be accurately reflected in the year-end cash-book. An arrangement is in place for a Councillor to review reconciliations and statements following each Policy & Finance Committee meeting.
- Budgets and budget monitoring reports have been prepared on the correct income and expenditure accounting basis, as will the final accounting statements, and figures such as debtors and creditors on the final balance sheet can be substantiated to transactional level by Edge reports. Issues raised in the 2019/20 audit where two variances remained unidentified have now been resolved.
- The Council maintained separate bank accounts for the two charities it acts as trustee for and filed the relevant Charity Commission returns in a timely manner.

Areas where the framework of governance, risk management and control could be improved

- Although point 18.1 of The Financial Regulations states that it is the duty of the Council to review its Financial Regulations annually, the current Regulations were adopted in April 2018 and have not been reviewed since.
- The Council failed to fully comply with points M and N of Part 3 of the AGAR which relate to providing for the exercise of public rights as required by the Accounts and Audit Regulations and the publication requirements of the 2019/20 AGAR as per related guidance notes.

5. Added Value

- 5.1 One of the Core Principles that underpin the Professional Practice of Internal Auditing is to 'promote organisational improvement'. The Added Value section of the report provides insight, opportunities and collaborative learning (best practice) that the organisation may wish to consider moving forwards. We do not consider the issues raised in this section to adversely impact the control environment in the achievement of objectives reviewed.
- 5.2 The points raised below are for management to discuss and consider within the context of the organisation, and Internal Audit do not require a response on these.

Added Value

- As referenced in Observation 2, the Council has not complied with point M of Part 3 of the AGAR for a second successive year and has also not complied with the newly introduced point N, both of which relate to publication requirements of the previous year's AGAR. In all instances of non-compliance, efforts were made to comply, but published guidance was mis-interpreted. As the Council's external auditors are responsible nationally for publishing the guidance, confirming with them in advance that they view the Council's proposed publication and public rights arrangements for each year's AGAR as compliant may avoid non-compliance going forwards.

Observation 1 – Updating Financial Regulations	Risk	Management Response			
		Action	Priority	Responsible Officer	Target Date
<p>Point 18.1 of The Financial Regulations states that it is the duty of the Council to review its Financial Regulations annually.</p> <p>As has been noted in the past two audits, the current Regulations were adopted in April 2018 and have not been reviewed since. This has in part been caused by wishing to align the Regulations with new processes relating to the introduction of Edge.</p> <p>Although testing for compliance with the Regulations found no issues, there are instances, such as Point 14.1 relating to the custody of all title deeds, where processes have changed due to advances in technology and the wording of the Financial Regulations no longer reflect current and / or best practice.</p>	Financial Regulations no longer describe best practice.	1.1 Annual review of financial regulations to be programmed into the annual schedule of committee reports	High	Rory Fitzgerald, Responsible Financial Officer	Immediate
		1.2 Current Financial Regulations to be reviewed to ensure compliance with the recently adopted financial management system and new ways of working	High	Rory Fitzgerald, Responsible Financial Officer / Chris Wilkins, Town Clerk	30 September 2021

B

Observation 1 – Updating Financial Regulations	Risk	Management Response			
		Action	Priority	Responsible Officer	Target Date
		enabled by technology.			
Auditors assessment of managements response					
Management actions, once implemented, will help mitigate future risk.					

Observation 2 – Points M and N of Part 3 of the AGAR	Risk	Management Response			
		Action	Priority	Responsible Officer	Target Date
<p>Point M of Part 3 of the 2020/21 AGAR requires that, during the previous year, the Council correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations, while Point N requires that the Council complied with the publication requirements for the 2019/20 AGAR.</p> <p>Due to two unidentified variances detailed in the 2019/20 internal audit report, it was necessary to select 'No' for box A of Part 3 of the 2019/20 AGAR relating to whether appropriate accounting records had been properly kept throughout the financial year.</p> <p>The RFO, working with the suppliers of EDGE, subsequently identified and corrected the two variances and verbally notified the external auditor ahead of publishing the Notice of Public Rights for the year ended 31 March 2020 on 31st August 2020 in advance of the amended 1st September 2020 publication deadline, with every box under Section 1 – Annual Governance Statement 2019/20 marked 'Yes'.</p> <p>However, because external audit did not</p>	<p>The Council has failed points M and N of Part 3 of the 2020/21 AGAR.</p>	<p>2.1 An extended period for the exercise of public rights will be published ahead of the AGAR submission.</p>	High	Rory Fitzgerald, Responsible Financial Officer	30 June 2021
		<p>2.2 The external Auditor will be contacted to confirm that the Town Council's provisions are compliant with the rules, prior to the deadline for publishing the AGAR at the end of August</p>	High	Rory Fitzgerald, Responsible Financial Officer	30 July 2021
		<p>2.3 Box 4 of section 1 of the 2020/21</p>	High	Rory Fitzgerald, Responsible	Complete

Observation 2 – Points M and N of Part 3 of the AGAR	Risk	Management Response			
		Action	Priority	Responsible Officer	Target Date
<p>complete their review until November 2020, they have ruled that the Council failed to approve and publish the AGAR ahead of the 1 September 2020 deadline, meaning the Council should have answered 'No' to Section 1, Box 1 and, also, Section 1, Box 4.</p> <p>Because of this, Points M and N of Part 3 of the 2020/21 AGAR will need to be marked 'No'.</p>		AGAR will be marked as "no" on the basis that this is in respect of the 2019/20 annual return		Financial Officer	
Auditors assessment of managements response					
Management actions, once implemented, will help mitigate future risk.					

Appendix 1 – Definitions of Assurance Levels and Management Actions

We use the following levels of assurance and prioritisations in our audit reports:

Assurance Opinion	Framework of governance, risk management and management control
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Management Action	Current risk
High Priority	A significant risk of; failure to achieve objectives; fraud or impropriety; system breakdown; loss; or qualification of the accounts by the organisation's external auditors. Such risk could lead to adverse impact on the organisation or expose the organisation to criticism.
Medium Priority	A serious, but not immediate risk of: failure to achieve objectives; system breakdown; or loss.
Low Priority	Areas that individually have no major impact, but where management would benefit from improved risk management and / or have the opportunity to achieve greater efficiency and / or effectiveness.

Assignment – Progress Control Sheet

Assignment stage	Assignment Progress				Comments
Audit Outline	Issued	31/01/2021	Agreed	31/01/2021	
Fieldwork commenced	Target	06/05/2021	Actual	06/05/2021	
Fieldwork completed	Target	28/05/2021	Actual	25/05/2021	
Close of audit meeting	Target	28/05/2021	Actual	26/05/2021	
Draft Report Issued	Target	14/06/2021	Actual	28/05/2021	
Factual accuracy agreed and management response provided	Requested	14/06/2021	Provided	02/06/2021	
Final report issued	Target	10/06/2021	Actual	03/06/2021	

CONFIRMATION OF THE DATES OF THE PERIOD FOR THE EXERCISE OF PUBLIC RIGHTS

Name of smaller authority: _____ **Ringwood Town Council**

County Area (local councils and parish meetings only): **Hampshire** _____

On behalf of the smaller authority, I confirm that the dates set for the period for the exercise of public rights are as follows:

Commencing on _____ **Monday 28th June** _____

and ending on _____ **Friday 6th August** _____

(Please enter the dates set by the smaller authority as appropriate which must be 30 working days (i.e. Monday – Friday only, and not Bank Holidays) inclusive and must include the first 10 working days of July 2021 (i.e. Thursday 1 July – Wednesday 14 July).

We have suggested the following dates: Monday 14 June – Friday 23 July 2021. The latest possible dates that comply with the statutory requirements are Thursday 1 July – Wednesday 11 August 2021.)

Signed: _____

Role: _____

This form is only for use by smaller authorities subject to a review:

Please submit this form to PKF Littlejohn LLP with the AGAR Part 3 and other requested documentation – this form is not for publication on your website.