

## Draft Annual Governance Statement

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<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No

### 1 Summary

- 1.1 This report requests that the Committee note the contents of the draft Annual Governance Statement (AGS) for 2023/24 which is a key component of the Council's governance arrangements. It is a statutory requirement for the Council to approve an AGS alongside its published Statement of Accounts (SoA) for 2023/24. Due to the wait for the external audit of the Council's accounts, leading to delays in finalising prior years' AGSs, a draft version of the AGS is being presented to members, which was published alongside the draft statement of accounts and will then be subject to review by external audit. A final version will then be produced for formal sign off when the final audited accounts are presented for approval alongside the auditor's report.

### 2 Recommendations

#### That Committee:

- 2.1 **Note the Council's draft Annual Governance Statement (AGS) for 2023/24, as set out in Appendix A to this report.**

### **3 Reason for Recommendations**

- 3.1 A draft AGS is being presented to this Committee to allow members the opportunity to consider and provide any relevant comments before it is submitted for review by the Council's external auditors alongside the draft statement of accounts. It is common practice for the AGS to be presented alongside the internal audit annual report.

### **4 Background**

#### **Annual Governance Statement**

- 4.1 The Council is fully committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.
- 4.2 The Accounts and Audit (England) Regulations 2015 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) with the Council's financial statements. In discharging this responsibility members and senior officers must put in place proper arrangements (known as the governance framework) for the governance of the Council's affairs and facilitating the effective exercise of its functions. This includes:
- 4.2.1 setting the strategic direction, vision, culture, and values of the Council;
  - 4.2.2 the effective operation of corporate systems, processes and internal controls;
  - 4.2.3 engaging with and leading the community;
  - 4.2.4 monitoring whether strategic priorities and outcomes have been achieved;
  - 4.2.5 ensuring that services are delivered cost-effectively;
  - 4.2.6 maintaining appropriate arrangements for the management of risk; and
  - 4.2.7 ensuring the Council complies with the Statement on the role of the Chief Financial Officer in Local Government.
- 4.3 The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's internal control and risk management systems, give assurance of their effectiveness and/or produce a management action plan to address identified weaknesses in either process.
- 4.4 CIPFA's proper practice requires the most senior officer (the Chief Executive) and most senior member (the Leader of the Council) to sign the final AGS. Accordingly, they must be satisfied that the document is supported by reliable evidence, accurately reflecting the internal control environment. This emphasises that the document relates to all corporate controls and not just confined to financial issues.
- 4.5 The Council has a responsibility to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging these overall obligations, the Council is responsible for putting in place appropriate arrangements for

the governance of its affairs and for ensuring that there is a sound system of internal control that facilitates the effective exercise of its functions and includes arrangements for managing risk. The overall systems of controls across the Council contribute to the effective corporate governance of the authority.

- 4.6 Governance reporting has been a requirement within local government since 2001, when CIPFA/SOLACE produced a joint publication on Corporate Governance in Local Government. An updated version was published in 2007, the CIPFA/SOLACE Framework Good Governance in Local Government. This replaced the requirement for Councils to produce Annual Statements of Internal Control (SIC) with a duty to publish an Annual Governance Statement (AGS) against which they will be measured.
- 4.7 The framework is a discretionary code containing seven core principles of good governance.
- 4.7.1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - 4.7.2 Ensuring openness and comprehensive stakeholder engagement.
  - 4.7.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.
  - 4.7.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - 4.7.5 Developing the entity's capacity, including the capability of its leadership and the individuals within it.
  - 4.7.6 Managing risks and performance through robust internal control and strong public financial management.
  - 4.7.7 Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 4.8 These principles focus on the systems and processes relating to the direction and control of the authority and its activities, through which it accounts to, engages with and leads the community. The framework emphasises that good governance should be embedded throughout the authority and that, as a result, the statement should be corporately owned.
- 4.9 An important element of the assurance process is the need for continuous monitoring and annual reviews of our corporate governance arrangements. This results in the Council reviewing the Local Code of Corporate Governance, agreeing an Annual Governance Statement (AGS) and agreeing a new action plan to further strengthen our governance arrangements. This annual review process is designed to embed the ethos of excellent Corporate Governance in all decisions made by the Council.
- 4.10 Whilst this process of review is co-ordinated corporately and ultimately approved by the Chief Executive and Leader of the Council, Directors, Assistant Directors and Service Managers are responsible for ensuring their own governance arrangements are adequate and operate effectively. Each Director must make an annual statement confirming this is the case.

## 5 Main Considerations

### Annual Governance Statement

- 5.1 The draft AGS is attached at Appendix A and follows a best practice format set out in CIPFA/SOLACE guidance – ‘Delivering Good Governance in Local Government Framework’.
- 5.2 The AGS is a dynamic document, reflecting improvements to the Council’s governance arrangements as they are made. As such, it forms a key part of those governance arrangements, as it can be used to give assurance to stakeholders that the Council is properly and effectively managed.
- 5.3 This is a draft statement which has been published alongside the draft financial statements. The Framework provides guidance on what the statement should contain including:
- responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control)
  - an indication of the level of assurance that the systems and processes that comprise the Council’s governance arrangements can provide;
  - a brief description of the key elements of the governance framework, including reference to group activities where these are significant;
  - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance framework including reference to the roles of various Members/Officers in this process;
  - an outline of the actions taken, or proposed to deal with significant governance issues, including an agreed action plan.
- 5.4 To enable production of the AGS, a robust in year and year-end review process has been developed. As previously, effective management of key risks to achievement of corporate objectives (and demonstration of this) underpins the assurance process. The following sources of assurance are used to help prepare the Annual Governance Statement:
- 5.4.1 Internal Audit reports
  - 5.4.2 External Audit reports (including the Annual Audit Letter)
  - 5.4.3 Director/Manager Assurance
  - 5.4.4 Local Government Ombudsman Reports
  - 5.4.5 Performance Management
  - 5.4.6 Financial control assurance
  - 5.4.7 Risk registers and action plans
  - 5.4.8 Other inspection reports
  - 5.4.9 Legal and regulatory assurance

5.4.10 Other sources of assurance (e.g. third party)

5.4.11 Member's assurance (e.g. standards)

5.5 At its end the AGS sets out areas for improvement, addressing these areas will be a priority for various Officers during the coming months. Progress is monitored through the Council's performance monitoring arrangements.

5.6 The overall conclusion from this annual review is that the Council continues to have effective arrangements in place to protect the Council's interests and promote good governance.

## **6 Options Considered**

6.1 The council is required to approve and publish an AGS annually and for that reason, no other options have been considered.

## **7 Consultation**

7.1 The Senior Leadership Team were consulted on the detailed documents that underpin the drafting of the AGS, along with the Head of Internal Audit. Comments made by those consulted have been incorporated.

7.2 The Council's external auditor will review the AGS as part of the annual audit and their comments will be incorporated before a final statement is produced, signed and published.

## **8 Next Steps – Implementation and Communication**

8.1 The draft AGS will be subject to external audit which might result in changes being proposed. The final version will be presented to this Committee alongside the audited SoA and the external audit report. The timescale for this will be informed by the timing of the external audit which has yet to be scheduled. Once the final version is approved the statement will be signed by the Chief Executive and Leader and published on the website alongside the Statement of Accounts.

8.2 It should be noted that due to external audit resourcing issues, which is a national problem, the AGS for the 2020/21, 2021/22 and 2022/23 remain in draft form along with the Statement of Accounts for those years. The statements for these years reflect the governance opinion relevant for those periods. The draft AGS for 2023/24 reflects the governance position for the 2023/24 financial year.

## **9 Financial Implications**

9.1 There are no direct financial implications associated with this process.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 Legal and Governance Implications**

10.1 The Accounts and Audit (England) Regulations 2015 require the Council to review at least once a year the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) together with the Council's financial statements.

**Legal Implications reviewed by: Clive Tobin, Assistant Director for Governance & Democracy (Monitoring Officer).**

## **11 Equality and Safeguarding Implications**

11.1 There are no direct implications arising.

## **12 Community Safety Implications**

12.1 There are no direct implications arising.

## **13 Environmental and Climate Change Implications**

13.1 There are no direct implications arising.

## **14 Other Implications (where significant)**

14.1 There are no other implications arising.

## **15 Risk & Mitigation**

15.1 The AGS considers the various risks facing the council as a key piece of information informing the review.

## **16 Background Papers**

16.1 Those Assurance documents referred to in paragraph 5.4.

## **17 Appendices**

17.1 Appendix A – Draft Annual Governance Statement