



## Annual Governance Statement

<b>Report Author:</b>	Clive Tobin, Monitoring Officer
<b>Report Author Contact Details:</b>	<a href="mailto:ctobin@melton.gov.uk">ctobin@melton.gov.uk</a>
<b>Chief Officer Responsible:</b>	Dawn Garton Director for Corporate Services
<b>Chief Officer Contact Details:</b>	01664502444 <a href="mailto:dgarton@melton.gov.uk">dgarton@melton.gov.uk</a>
<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 approve the 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 AGSs for prior years', the statement for 2023/24 can only now be finalised.
- 1.2 The Council's external auditors have made one comment in relation to the earlier draft document, details of which are set out in paragraph 5.7 below.

### 2 Recommendations

**That Committee:**

- 2.1 **approves the Council's Annual Governance Statement (AGS) for 2023/24, as set out in Appendix A to this report,**
- 2.2 **agrees that this should be signed by the Leader and the Chief Executive.**

### **3 Reason for Recommendations**

- 3.1 The Committee considered a draft AGS for 2023/24 at its meeting on 23 July 2024. The draft was presented to the Committee at that time due to the historic delays with external audit meaning that the statement of accounts associated with the AGS was not ready at that time. Presenting a draft to the Committee allowed members to consider that draft and provide comments before it was submitted for review by the Council's external auditors alongside the draft statement of accounts.

### **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 Regulations 2015 require the Council to conduct a review at least annually of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) with the Council's financial statements. To discharge 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 is to ensure 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.
- 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 is 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 obligations, the Council must put in place appropriate arrangements for the governance of its affairs and for ensuring there is a sound system of internal control facilitating the effective exercise of its functions, including arrangements to manage risk. The overall systems of controls across the Council contribute to the effective corporate governance of the authority.
- 4.6 Governance reporting has been required 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 are 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 The 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 accordingly, 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 an action plan to strengthen any governance issues identified. 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 approved by this Committee and signed by the Chief Executive and Leader of the Council, Directors, Assistant Directors

and Service Managers must ensure their own governance arrangements are adequate and operate effectively. Each Director makes an annual statement confirming this is the case.

## 5 Main Considerations

### Annual Governance Statement

- 5.1 The AGS is attached at Appendix A and uses a best practice format contained 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 arrangements, as it can be used to give assurance to stakeholders that the Council is properly and effectively managed.
- 5.3 This statement which has been published alongside the financial statement which is subject of a separate report on this agenda. 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 Members' 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.

5.7 The draft AGS has been considered by the Council's external auditor who has made no comment on the substance of the document but made an observation relating to previous years' AGSs. Page 12 of the draft stated that final approval of accounts for the years 2020/21, 2021/22, and 2022/23 remained outstanding meaning that the AGSs for those years could not be signed off either. As the Committee will be aware, those earlier accounts and AGSs were approved at a recent meeting and therefore that paragraph can be deleted. The draft at Appendix A removes that paragraph.

## **6 Options Considered**

6.1 The Council must approve and publish an AGS annually and therefore no other options were considered.

## **7 Consultation**

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

7.2 The Council's external auditor has reviewed the AGS as part of the annual audit and their comments are incorporated in the statement and referred to in paragraph 5.7 above.

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

8.1 Once the final statement is approved it will be signed by the Chief Executive and Leader and published on the website alongside the Statement of Accounts.

## **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 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. Further detail on the requirements is contained in the body of the report.

**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 – Annual Governance Statement