

Audit Committee



9th July 2024

Title	Annual Governance Statement 2023-24
Purpose of the report	To make a decision
Report Author	<i>Terry Collier, Deputy Chief Executive</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	This item is not in the current list of Corporate
Recommendations	<p>Committee is asked to:</p> <p>The Audit Committee is asked to approve the draft Annual Governance Statement at Appendix 1 and endorse the improvement actions identified in the Statement</p>
Reason for Recommendation	The Committee has a statutory duty to review and approve on behalf of the Council the Annual Governance Statement.

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> • Councils have a statutory duty to undertake an Annual Governance Statement (AGS), reviewing risks and the appropriateness of controls and mitigations • AGS required to be included by Councils in their Statement of Accounts • Officers have reviewed governance and controls, in particular drawing on the Audit 	<ul style="list-style-type: none"> • Ensure that we keep governance and risk mitigation under continuous review • Committee to agree the AGS

<p>Manager's Annual Audit Opinion.</p> <ul style="list-style-type: none"> Following the end of 2023-24 the Council has been notified of a Best Value Inspection process 	
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> For the Committee to constructive review and challenge the Statement and make suggestions as to refinements. 	<ul style="list-style-type: none"> Feed any amendments to the AGS into the draft AGS which was published as part of the draft Statement of Accounts published for 2023-24, prior to it being reviewed by the Council's external auditors.

1.1 The report appends the draft Annual Governance Statement(AGS) for 2023-24 for consideration by the Audit Committee.

1.2 The draft AGS is included in the draft Statement of Accounts for 2023-24. The AGS includes the Audit Managers Internal Audit Opinion for 2023-24 and highlights significant governance issues.

2. Key issues

2.1 The need to review arrangements for corporate governance and internal control and to produce the Annual Governance Statement (AGS), attached as Appendix A, is given statutory backing by the Accounts and Audit Regulations 2015. The CIPFA/SOLACE governance framework 'Delivering Good Governance in Local Government' brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation.

2.2 CIPFA has assigned proper practice status to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and (where applicable) leads the community. The degree to which the authority follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations. The Annual Governance Statement (AGS) sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The AGS also identifies any areas of significant weakness in internal controls, and areas for improvement, and the actions taken to remedy these through risk mitigation and effective management.

2.3 The Annual Governance Statement relates to the system of governance arrangements and internal control as it applied during the financial year in this case, the 2022/23 financial year.

2.4 The Audit Commission's Code of Audit Practice states that the AGS and underlying process will form a key piece of evidence for auditors' work on the authority's arrangements to secure economy, efficiency and effectiveness. In summary, the AGS will form an increasingly important part of the external auditors' work and subsequent opinion on the control arrangements of the Council.

- Reviewing the effectiveness of Internal Control
- The scope of internal control spans the whole range of local authority activities and includes those controls designed to ensure that:
- Council strategies and policies are periodically reviewed and put into practice.
- There is compliance with law and regulation.
- Agreed procedures and processes are followed to mitigate or reduce risks of error, financial loss, fraud, bribery and corruption .
- Adequate arrangements for safeguarding the authority's assets and resources.
- Financial statements and other published information are reliable and accurate.
- There is the efficient and effective use of management and resources in the delivery of high quality services.

2.5 The CIPFA statement recommends that the Council should satisfy itself that it has obtained relevant and reliable evidence to support the Statement and sets out an assurance gathering process framework. This framework comprises the following stages:

- Establish principal statutory obligations and organisational objectives
- Identify key risks to their achievement
- Identify and evaluate key controls to manage principal risks
- Obtain assurances on the effectiveness of key controls
- Evaluate and identify gaps in controls and assurances
- Produce an action plan to address gaps and ensure continuous improvement in internal controls

Produce the Annual Governance Statement Report to Committee

2.6 The sources of assurance include:

- Published documents (e.g. Constitution)
- Corporate management team and managers throughout the organisation assigned with the ownership of risks and delivery of services

- The Monitoring Officer
- The Chief Financial Officer
- Internal Audit, particularly as summarised in the Internal Audit Annual Report for the year
- External Audit
- Review agencies and inspectorates- including in this particular year the Local Government Corporate Peer Challenge follow up review
- Reviewing and refreshing CIPFA Financial Management Code Self Assessment
- Self assessing against the Governance theme of the Best Value indicators
- Externally commissioned reviews such as reviews of the Council's establishment and of its Investment Assets portfolio
- Review of Corporate Risk Register by Management Team; Corporate Risk Management Group; Audit Committee and Cabinet

- 2.7 In undertaking the review and completing the Annual Governance Review all of the above sources of assurance have been taken into consideration.
- 2.8 Following the end of 2023-24, on 8th May the Department for Levelling up Housing and Community notified the Council that it was commissioning a Best Value Inspection in the context of the level of the Council's outstanding borrowing levels which will report to the Secretary of State by the end of August. The Council will positively engage with this review.
- 2.9 An important source of assurance is provided by the work of Internal Audit and several of the control issues identified in part 3 of the Statement relate to items identified in the Audit Services' Reports for 2023/24 which have been considered by the Audit Committee, particularly with respect to issues identified in the Corporate Risk Register.
- 2.10 It is important the actions identified with regard to the control issues are taken forward.
- 3. Options analysis and proposal**
4. It is proposed that the Audit Committee approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2023-24
- 5. Financial implications**
- 5.1 Addressed within the statement
- 6. Risk considerations**
- 6.1 Consult with Audit team (G.Audit@spelthorne.gov.uk) and detail any risk implications arising from the report and how these will be mitigated.
- 7. Procurement considerations**
- 7.1 Having appropriate procurement arrangements, including Contract Standing Orders form part of good governance arrangements
- 8. Legal considerations**

8.1 The Accounts and Audit Regulations require the Statement of Accounts to include a signed off Annual Governance Statement, failure to do so could result in qualification of the accounts

9. Other considerations

9.1 None.

10. Equality and Diversity

10.1 Good governance includes ensuring appropriate governance in place to address equality and diversity issues.

11. Sustainability/Climate Change Implications

11.1 Good governance will help the Council effectively address sustainability and climate change issues.

12. Timetable for implementation

12.1 If there are any amendments proposed by the Committee these will be fed into the AGS in the draft Statement of Accounts for 2023-24, this will be prior to the AGS the being reviewed by external auditors who will then comment on it in their annual audit report.

13. Contact

13.1 Terry Collier t.collier@spelthorne.gov.uk

Background papers:; There are none.

Appendices:

List as Appendix A Draft Annual Governance Statement for 2023-24.