

Title of report: Draft Annual Governance Statement 2022/23

Meeting: Audit and Governance Committee

Meeting date: Friday 23 June 2023

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To seek the view of the committee as to whether the draft Annual Governance Statement (AGS) for 2022/23 properly reflects the internal control environment the council is operating in and the appropriateness of actions identified to improve governance arrangements.

Recommendation(s)

That:

- a) **the committee determines whether the draft annual governance statement in Appendix 1 properly reflects the risk environment the council is operating in and that areas where controls could be strengthened are appropriate.**

Alternative options

1. None; the publication of an annual governance statement is a requirement of the Accounts and Audit (England) Regulations 2015.
2. It is open to the committee to propose amendments to the draft statement to ensure it accurately reflects the council's governance arrangements and their effectiveness, and to ensure that proposed actions are appropriate.

Key considerations

3. The council is required, as part of an ongoing review of the effectiveness of its governance arrangements, to produce an AGS which forms part of the Annual Statement of Accounts. The AGS is primarily retrospective. It reports on the governance framework and internal controls in place for the financial year 2022/23 and considers any significant governance issues up to the date of publication of the audited Statement of Accounts. The AGS notes actions taken or proposed to address the governance issues identified.
4. The draft AGS is informed by Directors and Statutory Officers' declarations, reviews of compliance with laws and regulations, corporate strategies, policies, plans and arrangements and internal audit reports and opinions. It will be updated to include any governance issues identified between the balance sheet date and publication of the statutory accounts.
5. The AGS is a review of activities to ensure that the council's internal control and governance framework is operating effectively. The statement explains how the council has discharged its governance responsibilities during 2022/23 and the key governance mechanisms in place to manage risks of failure in delivering outcomes and decision making.
6. The preparation and publication of the AGS has been undertaken with reference to the seven core principles of good governance as identified in the Chartered Institute of Public Finance (CIPFA) Delivering Good Governance in Local Government Framework 2016.
7. This CIPFA guidance advises that statements should be meaningful but brief, high level, strategic and written in an open and readable style, and should include:
 - a. an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
 - b. reference to and assessment of the effectiveness of key elements of the governance framework (set out in the code of corporate governance) and the role of those responsible for the development and maintenance of the governance environment, such as the council, the executive, the audit committee, internal audit and others as appropriate;
 - c. an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
 - d. an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
 - e. reference to how issues raised in the previous year's annual governance statement have been resolved; and
 - f. a commitment to monitoring implementation as part of the next annual review.
8. There are a number of components that contribute to the draft AGS including:
 - a. Statutory officer comments;
 - b. Manager's checklist to inform each director's statement
9. The manager's checklist has been completed at assistant director level, with opportunity for other managers to complete from. This is then forwarded to the director in each directorate (or monitoring officer in the corporate centre) to review and contribute to their own statement.

10. The actions identified to deliver continuous improvement in governance arrangements following the review of 2022/23 will form part of an action plan and progress will be reported to this committee.
11. Following a review of our processes, and in consultation with the Monitoring Officer and S151 Officer, the financial threshold which requires the publication of a Record of Operational Decision (RoOD) has been increased from £50k to £250k and the Financial Procedure Rules and Guidance Notes have been updated to reflect this change.
12. Whilst this threshold has been increased, the financial and budgetary controls which govern operational decision making and approval to incur expenditure remain unchanged. All expenditure is subject to approval and the level of authorisation required is linked to the value of a transaction, as outlined in the Financial Procedure Rules and Guidance Notes and supported by council's scheme of delegation.
13. Expenditure is monitored through the council's monthly budget monitoring arrangements and accounting transactions, recorded and publicly reported in the annual Statement of Accounts, are subject to review by external audit as part of their statutory work. These controls ensure that expenditure incurred by the council is appropriately authorised and accurately recorded in the council's accounting system.

Community impact

14. Corporate governance is the term used to describe the systems, processes, culture and values the council has established to ensure we provide the right services, to the right people in a timely, open, and accountable way. Good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk.
15. The annual review ensures that our arrangements are effective in supporting achievement of the council's vision and county plan priorities.

Environmental impact

16. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
17. Whilst this is a decision to agree the AGS which is a back office function and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

18. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

19. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying ‘due regard’ in our decision making in the design of policies and in the delivery of services. As this is a factual update, we do not believe that it will have an impact on our equality duty.

Resource implications

20. Whilst the recommendations themselves do not have a direct resource implication, some of the actions may result in additional expenditure. Where this is the case separate governance will take place. The AGS does take resource to produce and deliver action plans but these are from existing staffing. If the committee proposes further actions the resource implications of implementing those actions will need to be considered.

Legal implications

21. The Accounts and Audit (England) Regulations 2015 include a requirement for all councils to produce an AGS, and set out the timescales by which they must be published. Approval of the statement ensures that the council will comply with these requirements.

Risk management

22. The statement itself identifies any high level or strategic governance risks and the action plan provides mitigation to those risks.

Risk / opportunity	Mitigation
Not all relevant information is captured.	There are several routes to collecting information – including additional feedback to finalise the AGS.
Not all gaps in assurance are covered.	Where there are gaps in information internal audit will be considered; inspections and peer reviews.
Resources to implement.	Though no direct resource implications additional activity may lead to a resource impact.

Consultees

23. The consultees have largely been internal, with internal and external audit commenting on the draft. Independent persons will be asked for their view on the draft AGS, along with internal and external audit. This will influence the final version due to be presented to the Audit and Governance Committee.

Appendices

Appendix 1 Draft Annual Governance Statement 2022/23

Background papers

None identified.