

AUDIT COMMITTEE	AGENDA ITEM No.10
24 JULY 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and s.151 Officer
Cabinet Member responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor

DRAFT ANNUAL GOVERNANCE STATEMENT 2022 / 2023

RECOMMENDATIONS	
FROM: Executive Director of Corporate Services and s.151 Officer	Deadline date: –
Committee is asked to:	
<ol style="list-style-type: none"> 1. Note the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement for 2022 / 2023; 2. Formally approve the Draft Annual Governance Statement so that the document may be signed by the Chief Executive and Leader of the Council for inclusion in the statement of accounts. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee following referral from the Executive Director of Corporate Services and s151 Officer as part of the annual closure of accounts process and is included in the Audit Committee annual work programme.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.
- 2.2 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following:
 - 2.2.1.17: To oversee the production of the authority's Statement on Control Annual Governance Statement and to recommend its adoption; and
 - 2.2.1.18: To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	–
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4. **BACKGROUND**

4.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. They require that the AGS should be presented to and approved by an appropriate committee of the Council. Under the Constitution, the Audit Committee is the body that formally receives the AGS. The AGS covers the Council's governance arrangements for the 2022 / 2023 reporting year.

4.2 Every year, each local authority is required by law to conduct a review of the effectiveness of its system of internal control and to publish a statement reporting on the review, the AGS, with its financial statements. The AGS is therefore a mandatory statement that recognises, records and publishes the council's governance arrangements as defined in the CIPFA / SOLACE framework for good governance in local authorities. It reflects how the council conducts its business, both internally and in its dealings with others. Its objective is to provide assurance on the effectiveness of the corporate governance arrangements and to identify significant governance issues requiring management action. The statement is produced following a review of the council's governance arrangements and system of internal control. The review consists of an evaluation of the council's governance arrangements against the best practice described in the CIPFA guidelines. This includes an assessment of the systems and processes for:

- establishing the council's principal statutory obligations and organisational objectives and applying the six CIPFA / SOLACE core principles of good governance;
- identifying the principal risks to the achievement of the council's objectives;
- identifying and evaluating key controls to manage the council's principal risks; and
- obtaining assurances on the effectiveness of key controls.

4.3 The assurances on the effectiveness of key controls are obtained throughout the year in the form of internal and external audit and inspection reports, risk management and performance activities. The draft statement has been circulated to Corporate Leadership Team (CLT) for comment, challenge and agreement of those issues to be addressed. In agreeing the final draft, CLT consider issues that are "significant":

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The Chief Audit Executive has reported on it as significant in the Annual Opinion on the Internal Control environment;
- The issue, or its impact, has attracted significant public interest or seriously damaged the reputation of the organisation; the issue has resulted in formal action being taken by the s.151 officer and / or Monitoring Officer.

4.4 The draft AGS is presented to Audit Committee for review. Subject to this approval, it will need to be signed by the leader of the council and the chief executive.

5. SUPPORTING EVIDENCE

5.1 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the City Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements. Evidence has been gathered from a number of sources detailed below.

5.2 Directors: Control and Governance Assurance Statement

5.2.1 Internal Audit issued each Executive Director with a Control and Governance Assurance Statement in April 2023 and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. The questionnaire reflected on the current Local Code of Governance.

5.2.2 Detailed analysis was provided to CLT which identified varying degrees of perceptions / across departments. Where scores were assessed as being lower or partial compliance in key control areas, separate commentary was provided as to how these could be addressed and are reflected in the AGS Action Plan.

5.3 Internal Audit: Annual Internal Audit Opinion 2022 / 2023

5.3.1 The annual report from Internal Audit is elsewhere on this agenda. Key issues which have been highlighted in the report requiring attention relate to audits completed which had limited assurance, these being:

- NNDR
- PCI Compliance
- Business Continuity

5.3.2 There are action plans to address issues identified. Subject to these being completed appropriately, the Annual Audit Opinion provides a **reasonable** assurance on the overall standard of effectiveness of the internal control framework.

5.4 Corporate Governance

5.4.1 Regular updates on governance arrangements are reported through Corporate Leadership Team, Cabinet, Audit Committee and ultimately to Full Council. This covers all aspects of governance – from constitutional changes, operational procedures such as Financial or Contract regulations or standards issues.

5.4.2 Significant governance issues established in the AGS are reported to Audit Committee. Similarly, while the Council does have a Local Code of Governance this is now in need of revision / refresh to remain up to date.

5.4.3 During the year, separate inspections were carried out in relation to governance and a number of improvements identified. These are coordinated through the independent Improvement Panel as well as seeing enhanced membership of the Audit Committee.

5.5 Financial Management

5.5.1 The Council has implemented improved arrangements for managing its finances and the delivery of and realisation of savings. This is coordinated through various working groups. Regular updates on progress are fed through to the Chief Executive, Corporate Leadership Team as well as to Resources so that can be appropriately reported within budget monitoring returns. These ultimately appear as a regular item on Cabinet agendas. As part of the changes made and greater scrutiny, financial savings generated have been achieved. Furthermore, a balanced budget has been established for current and future years.

5.5.2 Key financial risks for the Council are also regularly referred across all Departments as part of the monthly monitoring arrangements for the budget enabling actions to be taken to mitigate these. Similarly, the Medium Term Financial Strategy also provides details of the various risks impacting on the balanced budget. This enables Council to understand the decisions required to agree the budget.

6 **CORPORATE PRIORITIES**

6.1 Corporate governance links to all corporate priorities.

7 **CONSULTATION**

7.1 One of the key messages coming out of the CIPFA / SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements. The AGS has been circulated to the Corporate Leadership Team for discussion, amendment and approval and is fully reflected in the attached document.

8 **ANTICIPATED OUTCOMES OR IMPACT**

8.1 The documents are presented to the Audit Committee for review and to then advise the Leader of the Council and Chief Executive upon for sign off for its inclusion in the Statement of Accounts.

9. **REASONS FOR RECOMMENDATIONS**

9.1 The AGS sets out the framework for the Council and identifies some issues where action is planned to improve the level of governance.

10 **ALTERNATIVE OPTIONS CONSIDERED**

10.1 In line with accounting requirements the Council has to publish an Annual Governance Statement based on a prescribed format.

11 **IMPLICATIONS**

Financial

11.1 Good corporate governance and effective systems of internal control are essential to the financial health and reputation of the council. The resources required to implement the proposed actions to strengthen the governance arrangements are generally provided for in the agreed 2023 / 2024 budget but will be kept under review and may need further consideration where improvement actions require additional resources. This will also inform the preparation of the 2024 / 2025 budget.

11.2 Good practice and lessons learned from the response to the Covid-19 pandemic have been incorporated into the council's governance framework and regular internal and external audit reviews as well as recommendations from inspections (e.g. Ofsted) are continually used to inform improvements to the governance and internal control framework. Where these have a significant cost or resource implication, this will further inform future years' budget setting rounds.

Legal

- 11.3 The Council is subject to a duty to ensure that its financial management is adequate and effective and that it has a sound system of internal control, including arrangements for the management of risk. The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of its system of internal control at least annually and to prepare and publish an annual governance statement alongside its statement of accounts. The Council has delegated to the Audit Committee responsibility for considering the outcome of the annual review of governance arrangements and for approving the Annual Governance Statement. In this way, the requirements of the Regulations are met by a Committee of the Council that has been designated for this purpose.

12. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information 1985)

- Delivering Good Governance in Local Government (CIPFA / SOLACE)
- Accounts and Audit (England) Regulations 2015
- Directors: Control and Governance Questionnaire

13. APPENDICES

- 13.1 Appendix A: Draft Annual Governance Statement

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