

AUDIT COMMITTEE	AGENDA ITEM No. 10
22 JULY 2024	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and Section 151 Officer
Cabinet Member responsible:	Councillor Amjad Iqbal, Deputy Leader and Cabinet Member for Finance and Corporate Governance
Contact Officer(s):	Neil McArthur, Director of Legal and Governance and Monitoring Officer Steve Crabtree, Chief Internal Auditor

DRAFT ANNUAL GOVERNANCE STATEMENT 2023 / 2024

RECOMMENDATIONS	
FROM: Executive Director of Corporate Services and Section 151 Officer	Deadline date: –
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> 1. Notes the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement for 2023 / 2024. 2. Provides feedback on the contents of the Draft Annual Governance Statement. 3. Agrees that, subject to any amendments that may need to be made in the light of any feedback from the Committee, the Draft Annual Governance Statement should be submitted to the Chief Executive and Leader of the Council for signature and 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:
 - 4.4: To oversee the production of the authority's Annual Governance Statement prior to recommending its adoption and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion

- 4.5: To consider whether the annual evaluation for the Annual Governance Statement fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives
- 4.6: To review the Council's arrangements for corporate governance against the good governance framework, including the ethical framework and agree necessary actions to ensure compliance with best practice and consider the local code of governance

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 2023 / 2024 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 (**Appendix A**). It has been developed through a working group. Further iterations will be produced and submitted for approval before signed by the leader of the council and 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.

Directors: Control and Governance Assurance Statement	Internal Audit issued each Executive Director with an Assurance Statement in April 2024 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. 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.
Annual Internal Audit Opinion 2023 / 2024	Within Audit Committee agenda.
Other governance reviews	Other central governance areas, such are Fraud, Insurance, Information Governance and Risk Management have also provided commentary as to how those have developed and assurance can be given. The Local Code of Governance (Appendix B) has also been refreshed
Corporate Governance	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. Similarly, separate inspections were carried out and referred to Council
Financial Management	Improved processes for monitoring of spend and identification of savings have continued through working groups. Regular updates on progress are fed through to the Chief Executive and Corporate Leadership Team. 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. 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

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

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

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

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 2024 / 2025 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 2025 / 2026 budget.

11.2 Good practice and lessons learned 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) Act 1985)

12.1 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

Appendix B: Draft Local Code of Governance

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