

<b>Report to:</b>	<b>Audit and Governance Committee</b>
<b>Date:</b>	<b>11 July 2024</b>
<b>Title:</b>	<b>Annual Governance Statement</b>
<b>Report of:</b>	<b>Chief Internal Auditor</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To seek Councillors' approval of the Annual Governance Statement.</b>
<b>Officer recommendation(s):</b>	<b>To comment on and approve the draft Annual Governance Statement for 2023-24</b>
<b>Reasons for recommendations:</b>	<b>To meet the Council's legal requirement to produce an Annual Governance Statement.</b>
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## **1 Introduction**

- 1.1 Corporate governance involves everyone in local government. Two definitions are:
- “Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner” – Audit Commission.
- “How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” – from *“Delivering Good Governance in Local Government”*
- 1.2 The council has a legal requirement to produce an Annual Governance Statement each year in accordance with the Accounts and Audit Regulations, 2015. The statement accompanies the Statutory Statement of Accounts once adopted.
- 1.3 The Audit and Governance Committee is tasked with overseeing the risk management, internal control and reporting to the council. A key component of this work is to approve the Annual Governance Statement.

## **2 Governance Framework**

- 2.1 The Annual Governance Statement is the report produced at the end of the year on the control environment of the council. However this is just the end product of the framework of governance operating within the authority throughout the year.

- 2.2 Appendix 1 shows the framework for gathering the assurances and how this is affected by, and effects, the relationship with partners, stakeholders and the community. Following this framework should ensure that the council meets the principles of corporate governance.
- 2.3 Use of this framework also allows the council to demonstrate how its assurance gathering process links the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered.
- 2.4 Appendix 2 shows a timetable for the gathering of assurances to produce the Annual Governance Statement. Certain elements are ongoing throughout the year whereas others are specifically produced at the year-end in order to feed directly into the Annual Governance Statement.
- 2.5 It is important to have a defined timeline for the gathering of information on assurance as there is a deadline for the publication of the Statement of Accounts alongside of which the Annual Governance Statement must be published.
- 2.6 Appendix 3 shows the areas covered by the Managers' Assurance Statement which includes coverage of the Bribery Act, Safeguarding, the Regulation of Investigatory Powers Act (RIPA) and frauds over £10k as well as items of general governance. The statements are intended to cover the operational, project and partnership responsibilities of Heads of Service. These can also be used to highlight concerns and actions required to improve governance throughout the council.
- 2.7 These statements are completed by Directors, Assistant Directors and Heads of Service. The comments made on the statements are considered for inclusion in the Annual Governance Statement.

### **3 Content of the Annual Governance Statement**

- 3.1 The Annual Governance Statement is a document that provides a structure in which to consider the council's governance arrangements and their effectiveness. This ensures that major control issues are identified and action taken to address these issues.
- 3.2 There are essentially three parts to the statement:
- a statement of responsibility and purpose
  - a description of the components of the governance framework that exist in the council
  - the resulting issues and actions arising from those arrangements
- 3.3 It is important that the Annual Governance Statement is accessible, but this has to be balanced by a need to ensure that all relevant information is included. Wherever possible, the Annual Governance Statement includes hyperlinks or URLs to link to relevant information. A table is also included which covers companies and gives details of the council's relationship with these bodies.

## 4 The 2023-2024 review

- 4.1 One of the sources of assurance for the Annual Governance Statement should come from senior managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors, Assistant Directors and Heads of Service. 21 statements were sent out and 20 were returned.
- 4.2 Appendix 4 lists the feedback noted in the Managers' Assurance Statements. It should be noted that the feedback received records the subjective descriptions of the officers responding. Therefore, these have been grouped under relevant headings to make these easier to consider. The list also shows the number of comments that contained similar feedback and the level of concern. This list was considered by the Corporate Management Team to decide whether any are significant governance issues and should be included in the Annual Governance Statement.
- 4.3 The Corporate Management Team considered the feedback listed in Appendix 4. The Corporate Management Team believe that mitigating actions have been put in place to address the risks in these areas and the following comments were made.
- 4.4 Firstly, it was noted that many of the comments/subjects have their root cause in the current economic environment and its financial impact on the council. This has led to the council delivering services within tight budgets and reduced capacity. Whilst this is acknowledged, it is not felt that this has caused any significant governance issue and all the issues raised in the returned statements are being managed.
- 4.5 Establishment List  
The Director of Finance and Performance (Chief Finance Officer/S. 151 Officer) acknowledged that there are misalignments between the establishment and the financial system. However, this is already being reviewed with a view to addressing the issue. It is felt that this is an area for improvement rather than constituting a governance issue.
- 4.6 Waste Fleet Replacement  
This appears to be an issue around lead-in time and it was also noted in the return statement that lessons have been learned from this procurement exercise and will be taken forward to the next procurement exercise.
- 4.7 Asset Register  
Only one person raised this concern which they considered "substantial". However, they also explained that the error had been noted and addressed. This is therefore also not considered to be a governance issue.

- 4.8 The Corporate Management Team are therefore of the opinion that there are no significant governance issues. However, the concerns noted above have been included in the body of the Annual Governance Statement for transparency.
- 4.9 The committee is requested to consider the attached draft Annual Governance Statement (Appendix 5). Once agreed by the committee the Annual Governance Statement will be passed to the Leader of the Council and the Chief Executive to sign off and it will then be published on the council's website.

## **5. Managing the Risk of Fraud and Corruption**

- 5.1 The CIPFA Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- acknowledge responsibility
- identify risks
- develop a strategy
- provide resources
- take action

The Chief Internal Auditor is satisfied that the council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

## **6 Financial appraisal**

- 6.1 There are no financial implications arising from this report.

## **7 Legal implications**

- 7.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

## **8 Risk management implications**

- 8.1 Failure to produce an Annual Governance Statement, and to maintain proper assurance arrangements to support its production, can reduce the likelihood of the council meeting its objectives, and attract criticism from the council's stakeholders and the council's external auditor. The Audit and Governance Committee review of the Annual Governance Statement significantly reduces these risks.

## **9 Equality analysis**

9.1 A detailed Equality analysis is not required for this report.

## **10 Appendices**

10.1 Appendix 1 - Governance Framework

10.2 Appendix 2 - Annual Governance Statement Timetable

10.3 Appendix 3 - Managers' Assurance Statements

10.4 Appendix 4 - Feedback from the Managers' Assurance Statements

10.5 Appendix 5 - Annual Governance Statement

## **11 Background papers**

11.1 Internal Audit Report for the financial year 2023-2024 - brought to this same committee meeting.