

**READING BOROUGH COUNCIL**  
**EXECUTIVE DIRECTOR OF RESOURCES**

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>28 SEPTEMBER 2022</b>		
<b>TITLE:</b>	<b>ANNUAL GOVERNANCE STATEMENT 2021/2022</b>		
<b>LEAD COUNCILLOR:</b>	<b>Cllr Liz Terry</b>	<b>PORTFOLIO:</b>	<b>Corporate Services and Resources</b>
<b>SERVICE:</b>		<b>WARDS:</b>	<b>All</b>
<b>LEAD OFFICER:</b>	<b>Michael Graham</b>	<b>TEL:</b>	
<b>JOB TITLE:</b>	<b>Assistant Director of Legal and Democratic Services</b>	<b>E-Mail:</b>	<b>michael.graham@reading.gov.uk</b>

**1. EXECUTIVE SUMMARY**

- 1.1 The Council is responsible for ensuring that financial management is adequate and effective and that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- 1.2 The Accounts and Audit Regulations require local authorities to prepare and publish an Annual Governance Statement (AGS) each financial year, which accompanies the authority's financial statements.
- 1.3 The Annual Governance Statement is a key record of the overall effectiveness of governance arrangements within the Authority. The statement reflects the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrates how the key governance requirements have been met.
- 1.4 The following document is appended:

Appendix 1 Draft Annual Governance Statement (AGS) 2021/2022

**2. ACTIONS REQUIRED**

**Audit and Governance Committee is asked to:**

- 2.1 **agree the Annual Governance Statement for 2021/2022**
- 2.2 **delegate authority to the Assistant Director of Legal and Democratic Services to make minor amendments prior to signature by the Leader and Chief Executive**

### 3. KEY ISSUES

3.1 The Council's AGS for 2021/22 is attached at Appendix 1

3.2 Essentially, it outlines for the Council:

- the scope of governance responsibilities
- the purpose of the governance framework
- a description of the governance framework against the CIPFA/SOLACE Framework for "*Delivering Good Governance in Local Authorities*
- arrangements for reviewing the effectiveness of the governance framework
- governance issues that need to be addressed

3.3 The preparation of the Statement has built on previously established arrangements, which involves the collating of information from a number of sources, both internal and external. The information is analysed, and a draft Statement is produced, discussed with key officers, and any amendments identified are then made.

3.4 To support the Annual Governance review, each directorate is required to complete a Directorate Governance Statement in relation to systems and processes operational within their areas during the year. These are signed off by the relevant Director. The Directorate Statements demonstrate that Directorates have evaluated and assessed their internal control environment.

3.5 The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its External Auditors (Ernst & Young). The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively. The role of External Audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, External Audit provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.

3.6 There have been well documented delays in publishing the annual accounts due to historic issues. However, the audit of 2019/2020 is nearly completed (as reported at your last committee) and the 2020/21 and 2021/2022 work was being conducted concurrently with a view to making further progress (an update will be made available to your Committee).

3.7 To ensure the Service has the required capacity and capability going forward a Finance Transformation Board has been established to oversee the Finance Improvement Programme. Regular reporting on the Phase 1 workstreams: Accounts Payable, Accounts Receivable, Reconciliations, Chart of Accounts and Final Accounts, have been reported to the Audit and Governance Committee. These are essentially concluded. Phase 2 of the programme (developing corporate financial management, its governance, delivery and the overarching financial management environment) is being aligned to the implementation of the new finance system. (Again, further updates will be provided to your Committee).

3.8 One of the assurance statements the Council receives is the annual opinion of the Chief Internal Auditor in respect of the control framework. The opinion of the Chief Internal Auditor in respect of audit work completed in 2021/22 was reported to the Audit and Governance Committee at its meeting in July 2022 and gave Reasonable Assurance on the internal control environment based on the areas audited.

3.9 It was noted in the Chief Auditor's report that this was progress on the last two financial years (where the conclusion was Limited Assurance) and the direction of travel is one of improvement, even though there is still more work to be done to sustain that conclusion across the relevant control, risk and governance arrangements. It was noted that improvement in financial processes within key financial systems was now more apparent.

#### **4.0 THE PROPOSAL**

4.1 The statement covers the period up to the publication of the accounts, but as the Statement is signed by the Leader of the Council and the Head of Paid Service, it would be sensible to authorise minor amendments that may be needed before then. The need for material amendment is not currently anticipated. External Audit will review the statement for consistency with their knowledge of the Council but does not "audit" it as such.

#### **5. CONTRIBUTION TO STRATEGIC AIMS**

5.1 The concept of Governance is cross-cutting and relevant to all Services of the Council and to all of our public facing services. As such it is relevant to the Council's ability to be able to deliver on all of its Corporate Priorities. Good Governance is also strongly linked to the Corporate Priority foundation of "Getting the best value".

#### **6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers).

6.2 There is nothing within this report which is of relevance for the Council's strategic priority of Climate Change.

#### **7. COMMUNITY ENGAGEMENT AND INFORMATION**

7.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way".

7.2 It is not anticipated that there will be public consultation on Annual Governance Statement. It will however be in the public domain at this Committee, and is written in such a way to be accessible for members of the public to understand the Council's approach to Corporate Governance.

#### **8. EQUALITY IMPACT ASSESSMENT**

- 8.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 An Equality Impact Assessment (EIA) is not relevant to this report. There is no reason to think that any section of society will be adversely affected by the development of better Governance policies and procedures across the Council.

## **9. LEGAL IMPLICATIONS**

9.1 Covered in the main body of the report.

## **10. FINANCIAL IMPLICATIONS**

10.1 There are no direct financial implications arising from this report.

## **11. BACKGROUND PAPERS**

11.1 There are none