

Audit and Governance Committee

27 September 2023



Reading
Borough Council
Working better with you

Title	Annual Governance Statement
Purpose of the report	To make a decision
Report status	Public report
Report author	Michael Graham, Assistant Director for Legal and Democratic Services
Lead Councillor	Cllr Liz Terry, Lead Councillor for Corporate Services and Resources
Corporate priority	Not applicable, but still requires a decision
Recommendations	<ol style="list-style-type: none">1. That the Committee agrees the Annual Governance Statement for 2022/20232. That the Committee delegates authority to the Assistant Director of Legal and Democratic Services to make minor amendments, in consultation with the Leader and Chief Executive, prior to signature by the Leader and Chief Executive.

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.

2. Policy Context

- 2.1. The Council's AGS for 2022/23 is attached at Appendix 1
- 2.2. 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
- 2.3. 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.

- 2.4. 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 Executive Director. The Directorate Statements demonstrate that Directorates have evaluated and assessed their internal control environment.
- 2.5. 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.
- 2.6. There have been well documented delays in publishing the annual accounts due to historic issues. However, the audit of 2019/2020 is now completed and the accounts are unqualified. The 2020/21 and 2021/2022 work is being conducted concurrently with a view to making further progress (an update will be made available to your Committee).
- 2.7. 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 are being provided to your Committee).
- 2.8. 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 2022/23 was reported to the Audit and Governance Committee at your meeting in July and gives Reasonable Assurance on the internal control environment based on the areas audited.
- 2.9. It was noted in the Chief Auditor's report that there has been progress in recent years. Whereas previous opinions of Limited Assurance changed in 2021/22 to become Reasonable Assurance, 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 again more apparent, and that work is underway to deliver the new financial system and simplified financial procedures.

3. The Proposal

- 3.1. 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.

4. Contribution to Strategic Aims

- 4.1. The Council's new Corporate Plan has established three themes for the years 2022/25. These themes are:

- Healthy Environment
 - Thriving Communities
 - Inclusive Economy
- 4.2. These themes are underpinned by “Our Foundations” explaining the ways we work at the Council:
- People first
 - Digital transformation
 - Building self-reliance
 - Getting the best value
 - Collaborating with others
- 4.3. Full details of the Council’s Corporate Plan and the projects which will deliver these priorities are published on the [Council's website](#). These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective and economical.
- 4.4. 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”.

5. Environmental and Climate Implications

- 5.1. The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers).
- 5.2. There is nothing within this report which is of relevance for the Council’s strategic priority of Climate Change.

6. Community Engagement

- 6.1. It is not anticipated that there will be public consultation on the 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

7. Equality Implications

- 7.1. 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.
- 7.2. 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.

8. Other Relevant Considerations

- 8.1. There are none.

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. Timetable for Implementation

11.1. Not relevant.

12. Background Papers

12.1. There are none.

Appendices

1. Annual Governance Statement 2022/23