

**REPORT TO:** Audit & Standards Committee

**DATE:** 24<sup>th</sup> March 2023

**SUBJECT:** The Council's Annual Governance Statement 2022/23

**REPORTING OFFICER:** Alison Turner, Strategic Director (Section 151 Officer)

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**PORTFOLIO HOLDER:** Cllr. Duncan McGinty

**WARD:** All

#### **EXECUTIVE SUMMARY**

To present to members, the Annual Governance Statement (AGS) for 2022/23 for approval. In order to meet the requirements of Regulation 4(2) of the Accounts and Audit Regulations, the Responsible Finance Officer (Section 151 Officer) is required to carry out at least annually a review of the effectiveness of the organisations internal control.

#### **Recommendation;**

Members are recommended to consider the content of and approve the Annual Governance Statement as attached at Appendix A.

#### **1. Purpose of Report**

To present to Members the Council's Annual Governance Statement and seek approval thereof.

#### **2. Background**

In order to meet the requirements of Regulation 4(2) of the Accounts and Audit Regulations the Section 151 Officer is required to conduct a review at least once a year of the effectiveness of its system of internal control. The AGS is included as part of the Statement of Accounts as it is a key supporting document.

This is evidenced within the Annual Governance Statement where the authority meets with best practice. The statement also reflects the compliance with the "Statement on the Role of the Chief Finance Officer in Local Government (2016) and the CIPFA statement of the Role of the Head of Internal Audit (2010)."

Members are required to approve the Annual Governance Statement separately from the Annual Accounts. The AGS is signed by the Chief Executive and Leader of the

Council. The framework used for this review is attached at Appendix A.

The statement also reflects the Public Sector Internal Audit Standards (PSIAS) introduced on the 1<sup>st</sup> April 2013 and those standards are now reflected in the Audit Charter. The standards also require a Quality Assurance and Improvement Programme which has been included within the Review of Internal Audit report.

The Annual Governance Statement (AGS) should include the following information;

- a) An acknowledgement of responsibility for ensuring there is a sound system of internal control.
- b) An indication of the level of assurance that the system of internal control can provide.
- c) A brief description of the key elements of the internal control environment.
- d) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control.
- e) An outline of the actions taken, or proposed, to deal with significant internal control weaknesses.

### 3. **Current Position**

In line with the requirements of the regulations a review of internal control has been undertaken by the Council's Section 151 Officer and the context and finding of this are captured in the Annual Governance Statement, which is attached in Appendix A.

The AGS has been reviewed in consultation with the Council's Monitoring Officer and Equalities and Risk Manager. There are no significant changes made to the AGS, the list of issues/projects that are likely to impact on the Council's governance arrangement during the year has been updated for progress in 2021/22. However, due to the New Somerset Council commencing 1<sup>st</sup> April 2023 there are no additional issues identified as these will be part of the governance review for the single unitary . It will be the role of the Audit & Standards Committee to ensure that adequate governance arrangements are put in place to mitigate any risks. The Statement as attached provides details of how this authority manages it's business in order to comply with laws and regulations and it's own Code of Corporate Governance.

Section 10 of the Statement outlines if there were any significant internal control weaknesses highlighted during the audits. During the year the Assistant Director (SWAP) reported on control issues raised during audits to members of the Audit & Standards Committee.

In 2022/23 18 reviews have been delivered 17 are at final stage and 1 in progress. The plan is always flexible so it can respond to the changing environment, due to the impact of LGR, the plan changed with a number of audits dropped to direct resources to additional work. The delivery for 2022/23 included 10 advisory audits which is a higher percentage than in normal years but the findings have been valuable for assisting with areas such as Unitary preparedness, fraud review and advice.

The following levels of assurance were achieved for those audits;

<b>Assurance Level</b>	<b>Number of Audits</b>
Substantial	0
Reasonable	6
Limited	0
No Assurance	0
Advisory/Follow up	11
In Progress	1
<b>Total</b>	<b>18</b>

The advisory work is in addition to the opinion-based work where Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

If any of the Priority 1 or 2 actions become overdue they will be reported to the members of the Audit & Standards Committee. All overdue audit actions are reported to Management Team who monitor them quarterly. The process in place for audit actions ensures that actions continue to be monitored closely until they are complete. All audits have an agreed action plan and all actions are monitored through the performance management system. All audits receiving a limited assurance will have a follow up audit within 6 to 12 months and this is built into the 2022/23 audit plan.

The second part of section 10 includes strategic high level risk issues/projects which could have an impact on the Council's governance arrangements. The actions for 2021/22 have been updated for progress. Due to the New Council commencing 1<sup>st</sup> April 2023 there were no actions included for 2022/23 as the resources were directed to delivering a safe and legal unitary by vesting day and maintaining business as usual.

#### 4. **Action Plans**

In order to ensure that any control weaknesses are addressed effectively action plans are prepared and implemented. Action plans are in place for the weaknesses identified in all audits as detailed in Appendix A, Section 10. The actions are monitored through Pentana and also reported to The Council's Management Team and members of the Audit & Standards Committee if they are high risk and become overdue.

#### 5. **Equalities Impact Assessment**

1. Does the proposal, policy, application or function affect employees or protected groups?	<b>No</b>
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2. Does it help the council meet our general equality duties, if so how:	<b>No</b>
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**6. Link to Corporate Priorities**

The development of an Annual Governance Statement and effective use of that statement goes to the heart of good management which underpins all the Council's Corporate Strategy.

**7. Risk Management Implications**

The risks are;

<b>Risk</b>	<b>Consequence</b>	<b>Probability</b>	<b>Impact</b>	<b>Treatment</b>
Not having adequate controls in place	The Council could suffer financial loss and risk to its reputation.	1	5	The Council needs to continue to monitor internal controls
Not completing actions from audit plans	The Council could suffer financial loss	2	5	The audit actions are monitored through the covalent system. Outstanding actions are reported quarterly to the Audit & Standards Committee

**8. Comments of the Section 151 Officer**

All the necessary comments are covered in the body of the report.

**9. Comments of the Monitoring Officer**

10. There is a statutory obligation on the Council to comply with the Accounts and Audit Regulations 2003 as amended in 2006 and so to provide an Annual Governance Statement. The Council's Annual Governance Statement is a key Corporate Governance Risk tool that ensures that issues of control are monitored and addressed through the year.

**11. Conclusion**

The Statement has been compiled based on the findings of a range of audit reports over the last twelve months.

All senior management have completed an Annual Governance Review form confirming they understand and follow the Council's internal control framework and where appropriate have implemented recommendations to address control weaknesses.

The Statement is now presented to Members for approval, as detailed in Appendix A.

**12. Background Papers**

Internal Audit Reports

External Audit Reports

## Annual Governance Review – Senior Managers Assurance Statements