



Committee report

Committee	AUDIT AND GOVERNANCE COMMITTEE
Date	25 SEPTEMBER 2023
Title	ANNUAL GOVERNANCE STATEMENT 2022-23
Report of	CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. This report provides Councillors with details of the statutory requirements under the Accounts and Audit Regulations 2015 to undertake an annual review of the effectiveness of the council's system of internal control and the considerations that Councillors need to take into account when reviewing the content of the review completed for 2022-23.
2. The annual governance statement for 2022-23 is located at Appendix 1. together with Addendum A: The Isle of Wight Council's governance framework. Councillors are now asked to approve the statement in readiness for signing by the leader of the council and chief executive and submission with the annual accounts for 2022-23.

RECOMMENDATION

3. Audit and Governance Committee agree that, subject to the final accounts being signed off, the content of the draft annual governance statement 2022-23 is confirmed as the Final version for publication.

BACKGROUND

4. The council follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as to what the annual governance statement should address. The council's leader and chief executive are required to sign the final statement before it is published alongside the annual accounts. When making the statement, it is important that any weaknesses are identified, and corrective actions are also developed to address those weaknesses.

5. The Chair and members of the Audit and Governance Committee were provided with a draft annual governance statement for consideration and to highlight any further items or concerns to be included within the final document prior to presentation at the September 2023 Audit and Governance Committee Meeting.
6. Comments and amendments suggested by the Chair have been reviewed and applied to the statement. There were no further changes or recommendations from the committee and therefore, the final annual governance statement for 2022-23 and its associated addendum are now set out at Appendix One for further consideration and approval by the committee.

THE COMMITTEE'S ROLE IN RELATION TO THE ANNUAL GOVERNANCE STATEMENT

7. The Audit and Governance Committee plays an important part in the process of developing the council's annual governance statement, which stems from its role and core activities throughout the year, including:
 - its understanding of the robustness of the regime of internal control throughout the council because it receives reports from both internal and external auditors.
 - its review of the strategic and other risks of the council and the annual report it receives on the council's risk management arrangements.
 - receiving regular updates on issues which have been identified previously in reviews of governance.
 - receiving reports on the extent of fraud and other irregularity and on the level of whistleblowing activity.
 - receiving reports on procurement and treasury management activity.
 - receiving an annual opinion report on the adequacy of control operating within the council from the council's head of internal audit
 - reviewing the committee's core functions (which is specifically included within the scope of the annual governance statement)
8. The committee is well placed therefore to reach its own assessment of the quality of governance that operates within the council supported by the assessment that has been undertaken by council staff.
9. The action plan contained within the annual governance statement aims to address the governance issues highlighted thus far that are considered necessary to contribute to further strengthening the council's corporate governance arrangements.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

10. Corporate governance has far reaching implications for the effectiveness of the council and as such underpins the effective delivery of all the council's stated priorities. Good governance means the following.
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.

- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of intended outcomes.
- Developing the council's capacity, including the capability of its leadership and the individuals within it.
- Managing risk and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

11. The content of this report does not directly impact upon any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#) and underpins the core value of being fair and transparent.

CONSULTATION

12. Internal consultation has taken place in developing the statement using a self-assessment survey. Internal audit designed the survey to assess the service area knowledge and compliance with all aspects of the governance framework. This was completed by directors and service leads from all areas of the council along with those lead departments who have responsibility for the issues, systems and processes set out in Appendix One, the Chief Internal Auditor and the council's Corporate Management Team.

FINANCIAL / BUDGET IMPLICATIONS

13. There are no direct financial implications of the council reviewing its governance arrangements and publishing the annual governance statement itself. However, action plans to address any weaknesses identified could involve extra cost and may in some circumstances be significant. Conversely action plans could also lead to financial savings being secured. It is considered that all the activities set out in the action plan contained within the annual governance statement can be achieved from within existing resources.

LEGAL IMPLICATIONS

14. The council is required by the Accounts and Audit Regulations 2015 to:
 - conduct a review of the effectiveness of its system of internal control.
 - have the findings of the review considered by a committee or by Councillors of the authority.
 - approve an annual governance statement on the results of the review in advance of the approval of the statement of accounts.
 - ensure that the statement accompanies the council's statement of accounts (when published).

EQUALITY AND DIVERSITY

15. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
16. There is no impact on any of the protected characteristics arising from this report.

OPTIONS

17. Option One – Audit and Governance Committee agree that, subject to the final accounts being signed off, the content of the draft annual governance statement 2022-23 is confirmed as the Final version for publication.
18. Option Two – The Audit and Governance Committee note the content of the annual governance statement and make recommendations for further matters to be considered in the preparation of the final statement in readiness for publication alongside the annual accounts.

RISK MANAGEMENT

19. It is a legal requirement under the Accounts and Audit Regulations 2015 to undertake a review of the effectiveness of the council's corporate governance arrangements and to seek approval of the resulting statement from a committee to enable its publication alongside the council's statement of accounts. Failure to approve the statement, with or without any proposed amendments will mean the council is in breach of its statutory duty.
20. The key risk associated with the council's proposed governance statement is that it does not accurately reflect that the corporate governance arrangements are consistent with the national code of practice and that full consideration has been given to afford the assurance to the committee. This could result in significant weaknesses going unreported and, critically, unaddressed. However, a significant amount of work has been undertaken to assess and review evidence available and this has been subject to review by Internal Audit, Corporate Management and other key stakeholders in order to mitigate against this. Presentation of the Annual Governance Statement in draft format to this committee for scrutiny is a further mitigating factor.

EVALUATION

21. Option one is recommended on the basis this report provides Councillors with details of the statutory requirements under the Accounts and Audit Regulations

2015, including the need to undertake an annual review of the effectiveness of the council's system of internal control.

22. The report provides the Councillors with the evidence they need to consider when reviewing the content of the review completed for 2022-23.

APPENDICES ATTACHED

23. Appendix 1. Annual Governance Statement 2022-23

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