

Executive and Corporate Governance and Standards Committee Report

Wards affected: n/a

Report of the Director of Resources

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Annual Governance Statement 2021-22

Executive Summary

The Accounts and Audit Regulations 2015 require the Council to prepare an Annual Governance Statement (AGS) detailing the governance framework and procedures that have operated at the Council during the year, a review of their effectiveness, significant governance issues that have occurred and a statement of assurance. This report outlines the background to the AGS; and sets out in Appendix 1, the AGS for 2021-22. The AGS is underpinned by:

- the Annual Opinion Report (April 2021 to March 2022) prepared by KPMG, who are the Council's outsourced internal audit managers, which was considered by the Corporate Governance & Standards Committee at its meeting held on 24 March 2022, and
- a self-assessment of the Council's compliance with the CIPFA financial management code which has been undertaken and reported at Appendix 2.

The draft AGS will be included in the Council's statement of accounts for 2021-22. The AGS acknowledges the ongoing significant challenges (both financial and organisational) placed on the Council due to the Covid 19 pandemic, and the major organisational transformation (Future Guildford) which was partially on-going through the year until its completion in August 2021. It recognises the need to return to the good governance practices and processes that the Council normally prides itself upon. The significant governance issues identified during the year, are reported in Appendix 1 section 6.

Where we have identified areas for further improvement, we will take the necessary action to implement changes that will further develop our governance framework.

The Executive, at its meeting on 21 July 2022, was invited to comment on the

AGS and make any recommendations, as appropriate, to the Corporate Governance & Standards Committee at its meeting on 28 July 2022. Any comments and recommendations from the Executive will be reported to the Committee.

Recommendation to Corporate Governance & Standards Committee:

- (1) That the Committee adopts the Council's Annual Governance Statement for 2021-22, as set out in Appendix 1 to this report, and publishes the Annual Governance Statement alongside the adopted statement of accounts for 2021-22.
- (2) That the Committee approves the self-assessment of the Council's compliance with the CIPFA financial management code reported at Appendix 2.

Reason for Recommendation:

To comply with the Accounts and Audit Regulations 2015, the Council must prepare, approve, and publish an Annual Governance Statement.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

- 1.1 This report explains the requirement for the Council to prepare an Annual Governance Statement (AGS), which the Corporate Governance & Standards Committee is asked to approve, and the Leader and Joint Chief Executive sign on behalf of the Council.

2. Strategic Framework

- 2.1 Our Core Values state that we will spend money carefully and deliver good value for money services and that we will ensure that our councillors and staff uphold the highest standards of conduct.

3. Background

- 3.1 The Council has a responsibility to ensure that it conducts its business in accordance with the law and proper standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 3.2 In discharging these overall obligations, the Council is responsible for putting in place appropriate arrangements for the governance of its affairs and ensuring that there is a sound system of internal control that facilitates the effective exercise of its functions and includes arrangements for the management of risk. The overall system of controls across the Council contributes to the effective corporate governance of the organisation.

- 3.3 The Director of Resources has drafted the statement in consultation with the Head of Paid Service, Corporate Management Team, the Monitoring Officer, the Strategy and Communications Manager, the Democratic Services and Elections Manager and Neil Hewitson of KPMG (as the Council's internal audit manager).
- 3.4 Good governance is about getting things right first time by focusing on the things that matter most. It is about demonstrating leadership and respect for the democratic process and the purpose of public bodies making proper, timely, and transparent decisions:
- managing risk and allocating resources effectively
 - knowing your customers and stakeholders
 - being open, honest, and taking responsibility and accountability for your decisions
 - demonstrating high standards of integrity and behaviour both as an individual and as a corporate body.
- 3.5 Good governance is the responsibility of everyone within the organisation and impacts on all the activities of the Council and how we deliver our services.
- 3.6 The Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) have defined a common governance framework and a set of principles for all public services, called *Delivering Good Governance in Local Government*. During 2016, they issued an update to the framework. The AGS attached at **Appendix 1** follows the 2016 updated framework and the key principles of good governance provided therein.
- 3.7 In 2020, CIPFA issued the Financial Management Code and its respective guidance notes which set out the principles by which authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve. The code is designed to be flexible to the nature, needs and circumstances of individual authorities. The code applied a principles-based approach to good financial management for an authority based on the size, responsibilities and circumstances of each authority. The principles are:
- Leadership
 - Accountability
 - Transparency
 - Adherence to professional standards
 - Sources of assurance
 - Long term sustainability of local services
- 3.8 In preparing the AGS and assessing the governance framework, the Council is required to demonstrate its compliance with the code. As such a self-assessment has been undertaken and can be found at **Appendix 2**. The

self-assessment has been audited during 2021-22 by KPMG who also reviewed the evidence the Council has to support the self-assessment. The audit found significant assurance with minor improvement opportunities.

- 3.9 As part of the AGS, we have identified a number of significant governance issues that the Council is working on resolving. These are outlined in section 6 of Appendix 1.

4. Financial Implications

- 4.1 There are no financial implications related to this report

5. Legal Implications

- 5.1 In order to comply with Regulation 6 (1) (b) of the Accounts and Audit Regulations 2015, the Council must prepare an AGS in respect of each financial year. A committee of the Council, or the Council itself, may approve the AGS.
- 5.2 At its extraordinary meeting on 6 July 2021, the Council agreed to amend the terms of reference of the Corporate Governance and Standards Committee to include the consideration and approval of the AGS in advance of the formal approval of the Council's Statement of Accounts.
- 5.3 Regulation 10 of the 2015 Regulations requires the Council to publish the AGS alongside the adopted statement of accounts each year.
- 5.4 The government introduced changes to the 2015 Regulations as a consequence of the pandemic to extend the statutory audit deadline for 2020-21 and 2021-22 for all local authorities. The publication date for audited accounts will move from 31 July to 30 September 2021 for all local authority bodies.

6. Human Resource Implications

- 6.1 There are no human resource implications to this report. We will work with the Communications team on any communications issues that arise.

7. Conclusion

- 7.1 During 2021-22, the Council faced continued unprecedented challenges from COVID, with significant and varied operational pressures. In addition, the Future Guildford programme of transformation and re-organisation remained ongoing for part of the year and as part of this the Council underwent further ICT system implementations and development. Against this challenging backdrop of the pandemic alongside organisational transformation, during 2021-22 the Council received three 'partial assurance with improvements required' internal audit reports, which was an improvement from the previous year.

- 7.2 With the pandemic restrictions now ended and the organisational transformation and new systems being embedded, the Council will strive to make significant improvements in its governance framework moving forward. Such improvements will be undertaken in coordination with Waverley Borough Council, where appropriate, as part of the collaboration programme.

8. Background Papers

[Delivering Good Governance in Local Government \(2016\) \(CIPFA/SOLACE\)](#)

[Corporate Governance and Standards Committee 24 March 2022: Item 4 – Internal Audit Progress report \(including the Head of Internal Audit Opinion 2021-22 and Internal Audit Plan 2022-23\)](#)

9. Appendices

Appendix 1: Annual Governance Statement 2021-22

Appendix 2: CIPFA FM Code self-assessment 2021-22