



CORPORATE GOVERNANCE COMMITTEE – 20 MAY 2024

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE CHIEF EXECUTIVE

PROVISIONAL DRAFT ANNUAL GOVERNANCE STATEMENT 2023-24

Purpose of the Report

1. The purpose of this report is to:
 - (a) Outline the background and approach taken to produce the County Council's 2023-24 provisional draft Annual Governance Statement (AGS)
 - (b) Present the provisional draft AGS for comment by the Committee prior to sign off by the Chief Executive and Leader of the Council.

Background

2. Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.
3. 'Delivering Good Governance in Local Government: Framework' by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) (2016) sets the standard for local authority governance in the UK. The preparation and publication of an AGS in accordance with the Framework fulfils the statutory requirement.
4. The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.
5. The AGS encompasses the governance systems applied in both the Authority itself, and any significant group entities e.g. ESPO, East Midlands Shared Services (EMSS) during the financial year being reported. Commercial and collaborative arrangements that the Council is

involved in are also reported to provide a fuller picture including assurances.

6. To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework and that the conclusions and future challenges are appropriate, the CIPFA/SOLACE Framework requires high level input from the Committee into the AGS. A provisional draft AGS for 2023-24 (attached as Appendix A to this report) has been produced for initial consideration and any comments made by the Committee will be duly considered and incorporated as appropriate. It is anticipated that further amendments will be made prior to the publication of the draft AGS and therefore intended that a formal draft will be circulated to members of the Committee before it is published. The final AGS will accompany the published audited accounts in the usual way.
7. The provisional draft AGS statement has already been considered by a Senior Officer Group comprising of:
 - Director of Law and Governance (the Council's Statutory Monitoring Officer)
 - Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
 - Head of Democratic Services
 - Assistant Chief Executive
 - Assistant Director – Finance, Strategic Property and Commissioning
 - Head of Internal Audit and Assurance Service

Approach

8. The review of the effectiveness of the County Council's system of internal control and overall corporate governance arrangements requires the sources of assurance, which the Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
9. The Public Sector Internal Audit Standards (PSIAS) allows the Head of Internal Audit and Assurance Service to assist management in drafting the AGS. The process followed as explained below, has not changed significantly from the previous year.
10. The revised CIPFA/SOLACE Framework (the Framework) requires local authorities to review arrangements against their Local Code of Corporate Governance. The Council's Local Code was revised in April 2022 and is scheduled to be reviewed later this year. Changes in legislation may also require the Code to be reviewed.
11. To ensure the provisional draft AGS represents an accurate picture of the governance arrangements for the whole Council, each Director was required to complete a 'self-assessment' designed to provide details of the measures in place (systems, process, documents etc.) within their departments during the financial year 2023-24, to ensure conformance (or

otherwise) to the Framework. The self-assessment also allowed for the recognition and recording of areas where developments are required.

12. The departmental self-assessments required a corresponding score to be given reflecting the department's positions regarding practice, standards and quality. This is a gauge of effectiveness. The application of a more quantitative approach to assessing compliance against the principles contained in the Framework allows the Committee and public at large to obtain necessary assurance that the Council operates within an adequate internal control environment, thus complying with the seven core principles and best practice.
13. A Corporate Assurance Statement was also completed to gain an overall organisational perspective of processes in place as described by the seven core principles. This statement also allowed for the recognition and recording of areas where developments were required.
14. The completed statements were analysed along with various other sources of evidence to determine whether there were any significant governance issues that should be reported in the provisional draft AGS. Other sources include:
 - a. Reports provided by internal and external audit and other assurance sources and the implications of these reports for the overall governance of the Council.
 - b. The Head of Internal Audit Service's annual opinion on the overall adequacy and effectiveness of the Authority's control environment (its framework of governance, risk management and internal control arrangements).
 - c. Evaluation of any negative media articles.
15. The provisional draft AGS assesses governance arrangements in place during 2023-24.

Provisional outcome of the 2023-24 review of the Governance Framework

16. The County Council has defined 'Significant Governance Issues' as those that:
 - a. Seriously prejudice or prevent achievement of a principal objective of the authority;
 - b. Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in the significant diversion of resources from another aspect of the business;
 - c. Have led to a material impact on the accounts;
 - d. The Corporate Governance Committee advises should be considered as a significant issue for reporting in the AGS;
 - e. The Head of Internal Audit Service reports on as significant in the annual opinion on the internal control environment.
 - f. Have attracted significant public interest or have seriously damaged the reputation of the organisation.

- g. Have resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer;
- h. The issue has resulted in a legal breach or prompts intervention from a regulator.

17. The final AGS for the previous financial year (2022-23) will be included when the External Audit of the 2022-23 Statement of Accounts, Annual Governance Statement and Pension fund Accounts 2022-23 is presented to the Committee. It (Section 8) contained details of two new significant governance issues that arose during the financial year. The issues reported were: -

- School Admissions – failure of portal
- SEND OFSTED revisit.

Section 7 of the provisional draft AGS (Appendix A) provides details of the progress made during 2023-24 to address the issues as well as progress made against significant governance issues that arose in previous years.

18. During the review of the 2023-24 provisional draft AGS; the Senior Officer Group determined that there were two significant governance issues that require reporting (refer to section 8 of the Appendix for more details). They relate to: -

- Environment & Transport Department
- Capital Programme

19. Similarly, the Senior Officer Group determined that those areas listed in the Future Challenges - Section 9 (Appendix A) will be subject to scrutiny through existing reporting channels

20. The Code of Practice on Local Authority Accounting in the UK 2023-24 (the Code) states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported if pertinent to the prior year. Therefore, in the event of the above occurring, the AGS presented as in the Appendix would change at the time of its final publication.

21. Approval and ownership of the draft AGS has been reflected at corporate level and the statement will be signed on behalf of the Council by the Chief Executive and Leader of the Council and published on the County Council's website.

Recommendations

22. The Committee is requested to:

- a. Consider the provisional draft AGS 2023-24 (Appendix A) and indicate whether it is consistent with the Committee's own perspective on internal control within the Authority.

- b. Note that there are three significant governance issues reported in the provisional draft AGS 2023-24.
- c. Note that the provisional draft AGS 2023-24, will be subject to amendments and that a final draft AGS 2023-24 will be circulated to members of this Committee before it is published with the draft Statement of Accounts 2023-24 before the end of June.
- d. Note that the provisional draft AGS 2023-24 which may be subject to such changes as are required by the Code of Practice on Local Authority Accounting, has been prepared in accordance with best practice.

Resource Implications

23. None.

Equality and Human Rights Implications

24. None.

Background Papers

CIPFA/SOLACE: Delivering Good Governance in Local Government: Framework (2016)

Report of the Director of Corporate Resources – ‘External Audit of the 2022-23 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts’ - Corporate Governance Committee 20 May 2024

<https://politics.leics.gov.uk/documents/s165418/CGC031221%20-%20SOA%20v2.pdf>

Circulation Under the Local Issues Alert procedure

None

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List of Appendices

Appendix A - Provisional Draft Annual Governance Statement 2023-24