

This report will be made public on 20 July 2022



Report Number **AUG/22/07**

To: Audit and Governance Committee
Date: 28th July 2022
Status: Non-Executive Function
Director: Amandeep Khroud, Assistant Director – Governance, Law and Service Delivery

SUBJECT: ANNUAL GOVERNANCE STATEMENT 2021/22

SUMMARY

Under the Accounts and Audit (England) Regulations 2015, local authorities are required to produce an Annual Governance Statement. This report describes the process followed and seeks approval for the Annual Governance Statement for the year 2021/22.

REASONS FOR RECOMMENDATIONS:

The Committee is asked to agree the recommendations set out below because:-

- a) The Council is required to publish an Annual Governance Statement under the Accounts and Audit (England) Regulations 2015.
- b) In order to comply with best practice, those charged with governance should independently contribute to the maintenance of an effective programme of internal control.
- c) Those charged with governance are required to consider the statement independently of the financial statements.

RECOMMENDATIONS:

1. **To receive and note report AuG/22/07.**
2. **To approve the draft Annual Governance Statement for 2021/22.**
3. **To approve the council's corporate action plan outlined in Appendix 1 for 2022/23.**

1. INTRODUCTION

1.1 The Annual Governance Statement is a corporate document and should involve a variety of people charged with delivering good governance across the authority. This includes:

- Chief Executive, Directors, Assistant Directors, Chief Officers and managers who are responsible for managing risks and the delivery of services.
- The Chief Financial Officer who is responsible for the accounting control systems and the preparation of the Statement of Accounts.
- The Monitoring Officer in meeting his/her statutory responsibilities.
- Members (e.g. the Leader and the Audit and Governance Committee).
- Others responsible for providing assurance, such as Internal Audit.

1.2 As a corporate document the Annual Governance Statement should be owned by all senior officers and members of the local authority. A successful statement will support the Council in achieving its statutory obligations and objectives, therefore satisfying the regulations.

2. LEGISLATIVE REQUIREMENTS

2.1 Regulation 3 of the Accounts and Audit (England) Regulations 2015, states:

Responsibility Internal Control

A relevant authority must ensure that it has a sound system of internal control which —

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

2.2 Regulation 6 of the Accounts and Audit (England) Regulations 2015 states:

Review of Internal Control System

(1) A relevant authority must, each financial year —

- (a) Conduct a review of the effectiveness of the system of internal control required by regulation 3; and
- (b) Prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must —

(a) Consider the findings of the review required by paragraph (1)(a) —

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) Approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of —

(i) a committee; or

(ii) members of the authority meeting as a whole.

2.3 The Annual Governance Statement, as required by 2(b) above, is appended to this report. The format of the statement follows the guidance given by CIPFA in its document [“delivering good governance” addendum.pdf](#).

2.4 The Council’s external auditor, Grant Thornton, reviews the assurance process annually as part of its work programme. The assurance process must show evidence that the Council has “effective corporate governance arrangements embedded within the authority”.

3. Annual Governance Statement 2021/22

3.1 A number of officers have been involved in the production of the Annual Governance Statement (AGS), and they have updated and reviewed the sections relevant to their service area. These officers include the Chief Executive, S151 Officer, the Monitoring Officer, the Lead Accountant and the Performance & Improvement Specialist. The Annual Governance Statement has also been reviewed by the Head of the East Kent Audit Partnership.

3.2 This year’s AGS includes sections on:

- The lifting of the regulatory notice for health and safety non-compliance on the Council’s Housing Service by the Regulator for Social Housing as result of the improvement work undertaken since the service returned to the Council in October 2020 from the now dissolved East Kent Housing ALMO. The service, which is integrating as part of the council’s operations, has established reporting mechanisms. Internal governance processes are under review and will focus on ensuring continuous service improvement for tenants (See section 5 of the AGS).
- The Legal and Governance arrangements following the first annual review of the Otterpool Park LLP business plan (approved by Cabinet in January 2022) and the introduction of a new assurance framework established by the Statutory Officers of the Council during the year to support the business plan. (See Sections 6.4 and 6.5 of the AGS)

3.3 As part of the review of the council’s governance arrangements a number of areas for development have been identified, which are detailed in the action plan for 2022/23, which can be found in Appendix 1 of AGS.

3.4 The Action Plan for 2021/22 has been reviewed and progress against last year's actions is detailed in Appendix 2 of this document.

4. RISK MANAGEMENT ISSUES

4.1 The risk associated with this report are summarised as follows:

Perceived risk	Seriousness	Likelihood	Preventative Action
The Annual Governance Statement is prepared incorrectly	High	Low	The statement has been reviewed by all the council's Statutory Officers and the council's external auditors, Grant Thornton.
The Annual Governance Statement is prepared without involving members	High	Low	The Audit and Governance Committee's Terms of Reference includes responsibility for reviewing the Annual Governance Statement and the item will be considered at their meeting on 28 July 2022.
The action plan contained with the Annual Governance Statement is not carried out	Medium	Low	The action plan is reviewed and monitored regularly throughout the year and actions are regularly reported to the Audit and Governance Committee by the council's Monitoring Officer.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (AK)

The council's statutory duties to produce an Annual Governance Statement are set out in the body of the report.

5.2 Finance Officer's comments (CI)

The requirements for sound financial management/reporting are set out in the body of the report. The Annual Governance Statement sets out how the council complies with these requirements.

5.3 Equalities (GE)

No issues arising directly from the report. The council has sound governance arrangements to ensure it complies with all its statutory duties, as set out in the Equality Act 2010.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Cheryl Ireland – Chief Financial Services Officer
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The following background documents have been relied upon in the preparation of this report:

CIPFA Delivering Good Governance in Local Governance: Framework.
CIPFA Delivering Good Governance in Local Governance: Framework. -
Addendum
CIPFA Delivering Good Governance in Local Governance: Guidance Note
for English Authorities

Appendices:

Appendix 1: Annual Governance Statement 2021/22

Appendix 2: Review of the 2021/22 Action Plan for improvement following review of effectiveness of governance arrangements.