

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Governance Statement (AGS) 2022/23 and Annual Review of the Local Code of Governance
Meeting date	27 July 2023
Status	Public Report
Executive summary	<p>The Accounts and Audit Regulations 2015* require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.</p> <p>The AGS concludes that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”.</p> <p>After considering all the sources of assurance (for governance arrangements), BCP Council Corporate Management Board identified that the following significant governance issues existed:</p> <ul style="list-style-type: none"> • BCP Council Assurance Review • Dedicated Schools Grant • BCP FuturePlaces Ltd • Delay in the completion of the 2021/22 External Audit • Mandatory Training <p>An action plan to address these significant governance issues has been produced and is being implemented. An update against the action plan will be brought to Audit and Governance Committee in January 2024.</p> <p><small>*and as amended by the Accounts and Audit (Amendment) Regulations 2022</small></p> <p>The Local Code of Governance has been amended to keep pace with the Council's changing governance arrangements and framework as required. The latest amendments are minor in nature.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <ol style="list-style-type: none"> The ‘pre-audited’ Annual Governance Statement 2022/23 is approved. The annual update of Local Code of Governance is approved. If in-year material amendments are required, the Head of Audit & Management Assurance is delegated to make these in consultation with the Chair of Audit &

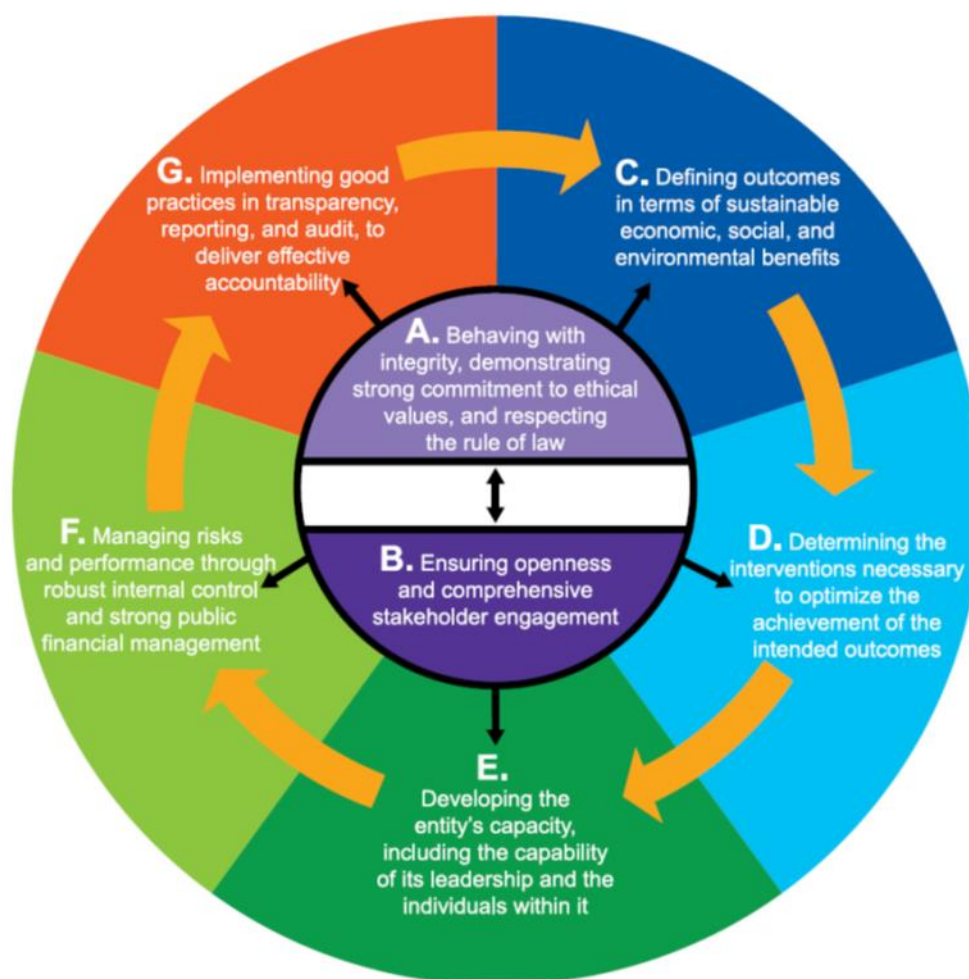
	Governance Committee and the Leader.
Reason for recommendations	Accounts and Audit Regulations 2015* require authorities to conduct a review at least once a year of the effectiveness of its governance arrangements and, following the review, approve an AGS which must accompany and be published with the Council's Statement of Accounts.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard Head of Audit & Management Assurance ✉ nigel.stannard@bcpcouncil.gov.uk Ruth Hodges ✉ ruth.hodges@bcpcouncil.gov.uk Audit Manager (Deputy Chief Internal Auditor)
Wards	Council-wide
Classification	For Decision

Background

1. The Accounts and Audit Regulations 2015 require the Council to produce an Annual Governance Statement (AGS) following review of its governance framework. This review is carried out in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework and guidance.
2. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.
3. BCP Council's Local Code of Governance describes the Council's governance framework using the seven principles of governance identified by best practice, shown in diagram 1 below.
4. The AGS comments on the effectiveness of these arrangements and identifies any significant issues (weaknesses) for the Council to address.
5. The draft AGS was published as part of the Statement of Accounts statutory public inspection period from 1st June 2023 to 14 July 2023, where the public had the right to inspect, make an objection to, or ask the external auditor questions about the accounts. An individual has made it known to the Council that they may wish to make comments or observations pertaining to the draft AGS, however at the time of writing this report no such comments or observations have been received.

6. Once approved by A&G Committee the AGS will then become the 'pre-audited version' that is submitted within the Statement of Accounts to the External Auditors. At this stage it is also required to be signed by the Chief Executive and Leader, who must be satisfied that the document is supported by reliable evidence.
7. The final audited AGS is published within the Council's Statement of Accounts.
8. The Audit & Governance Committee is required to review the AGS and monitor the Council's response to the issues identified in the action plan.

Diagram 1, taken from the 'International Framework: Good Governance in the Public Sector'.



Process for Compiling the AGS

9. The AGS is compiled from a wide range of evidence sources across the Council, including in-year elements and a year-end assessment which includes:
 - Completion of Management Assurance Statements by service directors and for group entities;

- The Chief Executive's governance review – BCP Council Assurance Review
 - Internal documentation and reports;
 - Chief Internal Auditor's Annual Report 2022/23 (reported separately to this Committee);
 - Findings from internal and external reports (e.g. external audit, OFSTED);
 - Follow up of the previous year's AGS Action Plan; and
 - Consideration of any matters arising from the public inspection period.
10. A range of potential issues was identified during the evidence gathering process and was considered by BCP's Corporate Management Board (CMB). CMB recognise whether an issue constitutes a significant governance issue is one of judgement rather than fact, however, the criteria below provides a framework for those judgements:
- has/may seriously prejudice or prevent achievement of a principal Council objective or priority;
 - has/may result in a need to seek additional funding to allow it to be resolved, or has/may result in a significant diversion of resources from another service area;
 - has/may led to a material impact on the accounts;
 - has/may attract significant public interest or has/may seriously damage the reputation of the Council;
 - has/may be publicly reported by a third party (e.g. Grant Thornton, Ofsted) as a significant governance issue; or
 - has/may result in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

AGS Conclusion and areas requiring improvement

11. The AGS concludes that BCP Council **"for the year ended 31st March 2023 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework."**
12. Whilst overall governance arrangements are considered sound, the Council has identified five significant governance issues, where improvements are required, as follows:
- **BCP Council Assurance Review**
 - **Dedicated Schools Grant**
 - **BCP FuturePlaces Ltd**
 - **Delay in the Completion of the 2021/22 External Audit**
 - **Mandatory Training**
13. Of the three issues raised last year, the Council considered that sufficient progress had been made to governance arrangements to remove two of these from this year's AGS. These were Governance of Children's Social Services and Governance Arrangements with External Bodies.

14. Whilst the remaining issue from last year, Delay in the Completion of the 2020/21 External Audit, had been addressed, a similar issue with the 2021/22 audit has now occurred, and is therefore included again.
15. An action plan to address four of the issues has been put in place and high-level progress against these actions will be reported to Audit and Governance Committee in January 2024. However, the Delay in Completion of the External Audit is a national issue, principally caused by wider sector problems with auditor capacity and increased complexity of audit requirements. Consequently, whilst the Council has not produced an internal action plan to resolve this issue, officers continue to liaise with the External Auditor and engage in the national consultation to seek a resolution.
16. Of the remaining potential issues considered by CMB, there were others which were either risks, operational concerns or minor governance weaknesses. Whilst these are not included in the AGS as significant governance issues, actions are in place to manage these areas. For example, urgent action was taken to resolve the three improvement notices issued to the Council by the Health & Safety Executive.
17. As required by best practice, the AGS considers the **impact of Covid-19 on the Council's governance arrangements** and reports on progress towards **compliance with the Financial Management Code (FM Code)**.
18. No significant remaining impacts on the governance framework from the pandemic were identified.
19. The FM Code provides guidance for good and sustainable financial management. The updated self-assessment against the FM Code concluded that BCP Council was compliant. Opportunities for further improvement remain and are monitored via an action plan.

BCP Council – Local Code of Governance

20. The BCP Local Code of Governance is regularly reviewed to keep it as up to date as practicable. Since the inception of BCP Council, regular revisions have been necessary to reflect the evolution of the Council's governance arrangements. As such, a revised version is attached at Appendix 2 for approval.
21. Minor amendments were required this year as follows:
 - Inclusion of reference to the Nolan Principles, Transparency Code and Freedom of Information and Subject Access Requests
 - Deletion of reference to the Big Plan and Smarter Structures
 - Mandatory Training, Capital Investment Board, Benchmarking and Health & Safety
22. Following the local election in May 2023, it is likely that the Council's new political administration may wish to make changes to some governance arrangements as currently outlined in the Local Code of Governance. It is recommended that the Head of Audit & Management Assurance be delegated, in consultation with the Chair of Audit & Governance Committee and the Leader, to make any material in year changes to the Local Code of Governance as required to reflect any changes agreed.

Options Appraisal

23. An options appraisal is not applicable for this report.

Summary of financial implications

24. The AGS is part of the annual Statement of Accounts and is reviewed by Grant Thornton, the External Auditor, to ensure it is consistent with their understanding of the organisation. Consequently, failure to produce an AGS and / or failure to properly disclose any matter known to the organisation would be reported by Grant Thornton.

Summary of legal implications

25. The Accounts and Audit Regulations 2015 require the Council to produce an AGS. Failure to comply would result in the Council not meeting its statutory requirements.

Summary of human resources implications

26. There are no direct human resources implications from this report.

Summary of sustainability impact

27. There are no direct sustainability impacts from this report.

Summary of public health implications

28. There are no direct public health implications from this report.

Summary of equality implications

29. In respect of the Local Code of Governance, an Equality Impact Assessment Screening Tool has been completed and reviewed. The Council's equality & diversity policy, supporting equality & diversity governance framework and equality impact assessment processes, which are part of the Local Code of Governance, are in place to ensure and promote positive equality outcomes for everyone.

Summary of risk assessment

30. There is a risk that failure to prepare the Annual Governance Statement in line with proper practice would breach the requirements of the Accounts and Audit Regulations 2015.
31. If timely actions are not taken to address the issues in the Action Plan arising from the AGS, then there is a risk that the Council's governance arrangements may not be adequate or consistent with good practice.

Background papers

None

Appendices

Appendix 1 – BCP Council AGS 2022/23

Appendix 1 – Annex 1 – BCP Council Assurance Review

Appendix 2 – Local Code of Governance (June 2023 update)