

Committee: Standards and General Purposes Committee

Date: 19 July 2023

Agenda item: Wards:

All

Subject: Annual Governance Statement 2022/23

Lead officer: Polly Cziok – Executive Director of Innovation and Change

Lead members: Martin Whelton Chair of Standards and GP Committee

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1. Summary

- 1.1 This report presents the Council's Annual Governance Statement (AGS) for 2022/23. This statement is required to comply with Regulation 6 (3) of the Accounts and Audit regulations 2015 and the CIPFA/SOLACE standards. The AGS provides residents and other stakeholders an overview of the governance arrangements in place at the Council and assurance regarding the adequacy and effectiveness of those arrangements.
- 1.2 As required by the CIPFA standards, the draft AGS will be signed by the Chief Executive and Leader of the Council for inclusion in the draft accounts.

2. Recommendation

- 2.1 To agree the 2022/23 Annual Governance Statement (as contained in Appendix A) for inclusion within the Council's Statement of Accounts

3. Details

- 3.1 The purpose of the Annual Governance Statement is to report on the robustness of the Council's governance arrangements. Corporate governance is defined, for the purposes of this report as:

'The framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations'

- 3.2 Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that the Council undertake an effective internal audit to evaluate the effectiveness of the risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards or guidance.
- 3.3 Regulations 6 (1)(3) states the Council must, each financial year, conduct a review of the effectiveness of the system of internal control and submit the findings of the review to members of the authority.

- 3.4 The Annual Review is a high-level review carried out by Internal Audit, which provides an assessment of whether the Council complied with the principles of the CIPFA/SOLACE framework for good governance during 2022/23.
- 3.5 The Council's Governance Framework is described in the Annual Governance Statement. This narrative sets out the key elements of governance within the Council and these arrangements which have been assessed as part of this review.
- 3.6 Effective Governance arrangements impact across areas in which we seek to make a difference in Merton, it operates and spans different levels of the Council.
- 3.7 The Council recognises the benefits of strong corporate governance as: -
- Behaving with integrity, demonstrating a 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 and determining the interventions necessary to optimise the achievement of the intended outcomes.
 - Developing the Councils capacity, including the capability of its leadership and the individuals within it.
 - Managing risks and performance through robust internal control and strong public financial management.
 - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Governance review

- 3.8 Council-wide governance arrangements have been assessed against the core principles and supporting criteria set out by CIPFA/SOLACE in their publication 'Delivering Good Governance in Local Government 2016'. The Annual Governance Statement uses evidence from a number of specific and general sources spanning the Council's assurance framework and is supported by an annual review of effectiveness, which draws upon the following work:
- An annual review of the Council's governance arrangements against CIPFA standards, as summarised within this report,
 - The Annual Effectiveness Review of the System of Internal Audit and the Head of Internal Audit's opinion on the adequacy of the Council's internal control environment.
 - Completion of governance self-assessments by senior officers
 - Other assurances, such as External Audit, external inspectors, and other independent reviews
 - Discussions with key senior officers to assess the Council's corporate governance framework.

- 3.9 The review of the governance framework against the standard, confirms that it is fit for purpose. An update has been provided on progress of 5 actions identified in the previous year's governance review and 4 actions have been carried over and are included in Table 2, with the 8 actions identified during this review, for implementation in 2023/24 (table 2 of the AGS).

Review of the work of Internal Audit

- 3.10 The Head of Audit is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. The work of Internal Audit during 2022/23 was sufficient to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control environment.
- 3.11 Based on the work undertaken during 2022/23, there were 79% substantial and above assurances. The limited assurances covered: Children Placements Commissioning, Payroll -bank mandate changes, Financial Review – 14+ and Children in Care Teams, Haslemere Primary School, Planning Enforcement, Direct Payments. There were 18 priority 1 actions in 2022/24 and 4 carried over from previous years. There have been 16 actions implemented and 6 in progress.
- 3.12 Updated comments have been received on the 2 previous years outstanding actions, on Building Control and Transport. These are showing a temporary arrangement has been put in place to manage the risks.

4. ALTERNATIVE OPTIONS

- 4.1 There are no alternative options as the AGS is a statutory requirement, as stated at paragraph 1.1 above.

5. CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1 No external consultation has taken place or is planned for this document.

6 TIMETABLE

- 6.1 This report has been prepared to meet the timetable for the approval of the Statement of Accounts.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1 There are no specific financial, resource or property implications apart from the need to implement the AGS Improvement Plan, which will be completed within existing resources

8 LEGAL AND STATUTORY IMPLICATIONS

- 8.1 The AGS is a statutory requirement, as stated at paragraph 1.1 above.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

9.1 There are no specific human rights, equalities or community cohesion implications, except in so far as this report is wholly concerned with good governance.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 There are no specific risk management or health and safety implications other than the assessment of the Council's risk management arrangements in the AGS

11. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

11.1 Appendix I: Annual Governance Statement 2021/22.

12 BACKGROUND PAPERS – THE FOLLOWING DOCUMENTS HAVE BEEN RELIED ON IN DRAWING UP THIS REPORT BUT DO NOT FORM PART OF THE REPORT

12.1 Annual Governance Statement 2021/22

12.2 CIPFA / SOLACE Delivering Good Governance in Local Government – Framework 2016

12.3 CIPFA / SOLACE Delivering Good Governance in Local Government – Guidance Note for Local Authorities