

Standards and General Purposes Committee	DATE: 18 July 2024
REPORT/DECISION TITLE Annual Governance Statement	WARD(S): All
CHIEF OFFICER Asad Mushtaq Executive Director of Finance and Digital Signed Asad Mushtaq Date: 27/6/24	CABINET/LEAD MEMBER Councillor Billy Christie Signed Councillor Christie Date: 15/7/24
DECISION CLASSIFICATION Non-exempt report Non-exempt appendix	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes

1. **Recommendations:**

To agree the 2023/24 Annual Governance Statement (as contained in Appendix A) for inclusion within the Council's Statement of Accounts

2. **Purpose of Report and Executive Summary**

2.1 This report presents the Council's Annual Governance Statement (AGS) for 2023/24. 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.

2.2 As required by the CIPFA (Chartered Institute of Public Finance and Accountancy) standards, the AGS will be signed by the Chief Executive and Leader of the Council for inclusion in the final accounts.

3. **Links to the Merton Priorities (Borough of Sport/Civic Pride/Sustainable Futures)**

3.1 This report relates to the Council's Strategic priorities, as effective Governance arrangements impact across all areas in which we seek to make a difference in Merton, it operates and spans different levels of the Council.

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.

4. **Introduction and Background**

4.1 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.'

4.2 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.

4.3 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. 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 2023/24.

4.4 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.

Governance review

4.5 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.
- 4.6 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

- 4.7 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 2023/24 was sufficient to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control environment.
- 4.8 Based on the work undertaken during 2023/24, there were 84% substantial and above assurances. There were 6 limited assurance reviews: Direct Payments, SharePoint permissions, pension/payroll uplift controls, St Matthews school, School budget monitoring and Financial Assessments. There were 22 priority 1 actions in 2023/24 and 2 carried over from previous years. There have been 12 actions implemented and 12 in progress.

5. **Available Options & Preferred Option**

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

6. **Reasons for Recommendations**

- 6.1 The Annual Governance statement is a requirement of the Accounts and Audit Regulations.

7. **Consultation Results**

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

8. **Report Appendices**

- 8.1 The following documents are to be published with and form part of the report:

Appendix A Appendix I: Annual Governance Statement 2023/24

9. **Background Papers**

- 9.1 None

10. **Cross-Cutting Issues and Implications and Sign-Off**

Issue	Implications	Sign-off
Legal including Human Rights Act	The Annual Governance Statement is a legal requirement, as stated at paragraph 2.1 above.	John Scarborough, Monitoring Officer, 21 June 2024
Finance and other resources	There are no other specific finance implications related to this report.	Ellis Kelly, Head of Accountancy, 24/6/24
Risk management	There are no specific risk management implications other than the assessment of the Council's risk management arrangements in the AGS.	<i>Margaret Culleton Head of Internal Audit</i> 11/7/24
Executive Director	<i>Clearance/Approval of Report</i>	<i>Asad Mushtaq</i> 27/6/24
Cabinet Member/s	<i>Clearance/Approval of Report</i>	<i>Councillor Christie</i> 15/7/24
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