

## Audit and Standards Committee Report

<b>Title of Report:</b>	Annual Governance Statement
<b>Date of Decision:</b>	6 December 2024
<b>Report To:</b>	Audit and Standards Committee
<b>Report Of:</b>	David Hollis, General Counsel/Monitoring Officer
<b>Report Author:</b>	David Hollis, General Counsel/Monitoring Officer
<b>Executive Summary:</b>	This report updates on and seeks approval for minor amendments to the Annual Governance Statement for 2022/2023 that will be published with the Audited Accounts.

**Does the report contain confidential or exempt information? No**

### Recommendations:

That Audit and Standards Committee approve the revised Annual Governance Statement as set out at Appendix 1

**Financial Implications:** No

**Legal Implications:** Yes [Approved by: David Hollis]

**Equality and Inclusion Implications:** No

**Climate Change Implications:** No

**Background Papers:** Report to Audit and Standards 1 February 2024

**Appendices:** None



## Introduction and background

1. The preparation of the Annual Governance Statement (AGS) is part of the approval of the accounts. It is a review 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. The AGS must be approved by the Audit and Standards Committee. It is published at the same time as the signed accounts.
3. The 2022/2023 AGS for Sheffield was approved by committee on the 1 February 2024.
4. Due to national Audit issues, there is a significant delay across the sector in getting previous years' accounts audited and approved. We are still awaiting the finalisation of our accounts from 2022/2023 and that matter is also on the agenda for the meeting today. The Accounts and final Annual Governance Statement must be published by 13 December 2024 to meet revised statutory deadlines.

## Main body of the report

5. At the time the 2022/2023 Annual Governance Statement was approved, it was not known the extent of significant delay to the completion of the audit and accounts. The review work undertaken for the 2022/2023 AGS was done in the early part of the 2023/2024 year. It was approved on the 1 February 2024, later than normal as it was presented in a revised format.
6. CIPFA guidance states that 'The AGS must be current at the time it is published'. This means published with the final approved accounts. With the general issues in audit that has led to considerable delays this has led to CIPFA issuing the clarification on this point where the review has been undertaken in accordance with normal timeframes but that is now some time before the accounts have been audited and ready for both to be published.
7. To fulfil the AGS's primary function as an accountability statement for the year it relates to, the AGS should remain focused on the effectiveness of governance arrangements during that period. It should contain the opinion and the



significant governance issues identified by the review of effectiveness for that year.

8. The draft AGS should have been reviewed and agreed in accordance with the applicable timetable set out in the Accounts and Audit Regulation.
9. The authority should consider whether changes to the draft AGS are required during the period leading up to the finalisation of the audit. This will enable the authority to approve a final AGS for the period. Taking the AGS, whether amended or not, for formal approval prior to publication will ensure clarity that the AGS is appropriate and fulfils the CIPFA requirement that it is up to date.
10. What matters would prompt an update to the AGS for a prior year? If a significant governance issue emerges after the year-end, the authority should consider whether it was pertinent to the prior year. For example, the discovery of significant control weaknesses that allowed a fraud to occur, including during the prior year, should be considered as a matter for inclusion. At 31 March of the prior year, the authority might have considered their control arrangements to be robust but new information has shown that not to be the case, so it would be appropriate for the AGS to be updated.
11. Significant governance matters that would not lead to the adjustment of the prior year AGS. Where emerging governance issues are clearly linked to events after 31 March of the prior year, then it would not be necessary to include them in a prior year AGS. They should be considered for the AGS of the year they were related to, and in subsequent AGS until they are resolved.
12. There is no requirement to conduct a full review again or to reconsider or update the matters that are already included. Matters that have arisen since or have been discovered since but relate to years prior to 2022/2023 were not required to be included (unless ongoing and still significant in 2022/2023).
13. The Council undertook a review in relation to the 2021/2022 to determine if there were 'significant governance issues' that had come to light after the AGS was approved in September 2022 that related to the period 2021/2022, and an update was taken to Audit and Standards Committee on 21 March 2024 and Audit and Standards that highlighted one further matter to be included. Whilst the original report reflected some issues in relation to people management process, but it was concluded that it did not reflect the position as currently understood around the council's HR policies need for updating, streamlining

and review to ensure they are in line with best practice and meet the needs of a modern workforce and employer. This was particularly in relation to concerns relating to equal pay around the Council's current job evaluation scheme. It could not be expressed in those terms as at that stage the Council was still considering the likely impact, it was however important to ensure it was reflected.

14. Those matters now need to be reflected in the 2022/2023 AGS. Although concerns were first raised with the Council in Autumn 2023 there was not sufficient certainty to be included in the draft presented to Audit and Standards Committee on 1 February 2024 (although the large amount of work undertaken by the Council meant it could be included when the 2021/2022 AGS was considered again six weeks later.
15. The review has not revealed any other matters that need to be included for the 2022/2023 Annual Governance Statement.
16. The revised Annual Governance Statement is set at in Appendix 1 and this now expressly references the equal pay risk that arises from the governance issue. In line with the CIPFA guidance this also includes a statement on the review and the signatories have been updated.