Medway COUNCIL
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Audit Committee

10 September 2026

Annual Governance Statement 2025/26

Report from/Author: Bhupinder Gill, Assistant Director, Legal and Governance

Summary

This report explains the requirements for reporting and approving an Annual Governance Statement (AGS) covering the financial year 2025/26 and asks Members to approve the Statement.

1. Recommendations

1.1. The Committee is recommended to:

1.1.1. comment on and approve the Annual Governance Statement

1.1.2. delegate authority to Assistant Director of Legal and Governance, in consultation with the Chairperson of the Audit Committee, to make minor changes to the documents prior to signing by the Leader of the Council and the Council's Chief Executive.

2. Budget and policy framework

2.1. The purpose of the report is to provide Audit Committee with details of the AGS for comment and approval.

2.2. The AGS is within the budget and policy framework and is a matter for the Audit Committee to consider and approve.

3. Background

3.1. The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly. Guidance issued by CIPFA regarding the AGS recommends that a suitable independent management group should review the content of the AGS. The Council's Audit Committee undertakes this role.

3.2. The Council approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. The AGS, at Appendix 1 to this report, explains how the Council has complied with the Code and also meets the requirements of Regulation 6 (1b) of the Accounts and Audit Regulations 2015 in relation to the publication of a governance statement.

3.3. There is a prescribed framework for the AGS that requires the Council to set out its governance arrangements and key elements of internal control and the sources of assurance; a review of the effectiveness of those governance and internal controls and a requirement to identify significant governance issues. The Council must ensure that it can provide evidence for any of the systems of internal control included in the AGS.

3.4. The substantive guidance, CIPFA/SOLACE Framework for Delivering Good Governance in Local Government was updated in May 2025. The addendum, Delivering Good Governance in Local Government: framework, Addendum is applicable to Annual Governance Statements for 2025/26 onwards.

3.5. Additionally, as in last year's statement, to provide a more comprehensive review of governance arrangements the following frameworks have also been considered and their recommended practice commented upon;

- CIPFA; Financial Management Code (2019)
- LGA; Improvement and Assurance Framework for Local Government (2024).

By adopting such an approach, it provides a broader review of the Council's governance framework and an enhanced base from which assurance can be based.

3.6. The Internal Audit and Counter Fraud Shared Service undertook a review into the councils governance framework and issued a report in January 2026 providing an overall Amber assessment and three recommendations. In relation to the production of the AGS there were two recommendations (A2 and A3).

	Action	Risk of Non-Implementation	Audit Client(s) Response	
			Responsible Officer	Planned Implementation Date
A2	Arrangements to be made to review the contents of the Annual Governance Statement template in line with the CIPFA/SOLACE Framework, and update as appropriate.	Non-compliance with CIPFA/SOLACE Framework.	Bhupinder Gill	31 October 2026
A3	Arrangements to be made to review the criteria for the Chief Executive's sign-off of the Annual Governance Statement, and ensure this is met to enable the appropriate sign-off.	Non-compliance with CIPFA/SOLACE Framework.	Bhupinder Gill	31 October 2026

3.7. Recommendation A2 related to the layout of the AGS document for 25/26 onwards, para 3.30 of the audit report stated

> *" Pages 12 to 15 of the addendum provide updated guidance relating to the AGS, including detailing the expected contents of the AGS under the following headings:*
> - *Executive summary.*
> - *Our assessment of effectiveness.*
> - *Where our governance needs to improve.*
> - *How we have improved our governance arrangements in (insert the year).*
> - *Forward look on governance. "*

3.8. Recommendation A3 arose from the 23/24 AGS where following approval of the AGS by the Audit Committee, email evidence requesting the Chief Executive to sign off the AGS could not be located.

3.9. This year new steps in seeking assurance across the organisation have been introduced.

3.9.1. An assurance questionnaire requiring a mandatory return was shared with all senior managers (Heads of Service and above) asking them to confirm relevant governance arrangements were in place for their service (28 April 2026). Feedback provided was reviewed and used to contribute to the drafting of the AGS.

3.9.2. A draft AGS was shared with CMT members and the Head of Internal Audit and Counter Fraud on 8 July 2026 for comment. Whilst this year the questionnaire was circulated by email, for the 26/27 AGS an app has been developed which will allow managers to record activity taken throughout the year.

3.9.3. Leading members (all cabinet members, Overview and scrutiny committee chairpersons, chairpersons of planning, licensing and safety, and all political group leaders) have been contracted by email (8 July 2026) and a draft of the AGS has been shared with them to provide an early opportunity to contribute the AGS and highlight any areas of potential weakness or where governance could be strengthened. No comments have been received (as at 21 August 2026)

3.10. A draft of the AGS was shared with CMT, the Head of Internal Audit and Counter Fraud, the deputy Monitoring Officer (MO) and the Statutory Scrutiny Officer by email (8 July 2026) seeking any comments and also an assurance that the details provided in the draft AGS, where applicable were complied with in their division. Any material feedback has been incorporated in the draft presented to this committee.

3.11. The Chief Executive and the Leader of the Council will be requested to sign the AGS once the Audit Committee has approved it.

4. Annual Governance Statement

4.1. The AGS is the formal document that recognises, records and publishes a Council's governance arrangements. It is designed not only to give an opportunity for Councils to consider the robustness of their governance arrangements but also provide an accurate representation of arrangements in place during the year and to identify areas where improvement is required or particular focus is needed.

4.2. Regulations require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and to publish a statement on internal control each year with the Council's financial statements.

5. Risk management

5.1. Failure to produce an AGS could expose the Council to the risk of receiving a qualified opinion on the Statement of Accounts.

6. Financial implications

6.1. There are no financial implications arising directly from this report.

6.2. CIPFA published guidance in January 2018 (Delivering Good Governance in Local Government: Framework (CIPFA/ Solace) Review of Annual Governance Statements 2016/17) based on a review of some local authority Annual Governance Statements. This did not represent a shift in the guidance, rather some tips on better reporting. The current guidance of 2016 (delivering good governance in Local Government Framework 2016

Edition) together with the addendum, still stands. At 7.4 on page 23 of the 2016 Framework it says:

“The annual governance statement should be focused on outcomes and value for money and relate to the authority’s vision for the area. It should provide an assessment of the effectiveness of the authority’s governance arrangements in supporting the planned outcomes – not simply a description of them.”

7. Legal implications

7.1. The legal implications are set out in the body of the report.

Lead officer contact

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Appendices

Appendix 1 – Annual Governance Statement 2025/26

Background papers

Delivering good governance in Local Government Framework 2016 Edition

Delivering Good Governance in Local Government: Framework (CiPFA/Solace)
Review of Annual Governance Statements 2016/17

CIPFA; Financial Management Code (2019)

LGA; Improvement and Assurance Framework for Local Government (2024).

Delivering Good Governance in Local Government: framework, Addendum 2025