

**AUDIT COMMITTEE**  
**30 06 2026**

**Subject Heading:**

Draft Annual Governance Statement  
2025/26

**ELT Lead:**

Kathy Freeman, Strategic Director  
Resources

**Report Author and contact details:**

Maria Denton  
Head of Assurance.  
Tel: 01708 432610  
E-mail: maria.denton@havering.gov.uk

**Policy context:**

This report presents the 2025/26 Draft  
Annual Governance Statement to note  
and for comment.

**Financial summary:**

There are no financial implications arising  
directly from noting and commenting on  
the Annual Governance Statement.  
However implementation of the planned  
actions set out in the AGS may have  
financial implications. The expectation is  
that these will be contained within existing  
resources or raised through the  
appropriate channels where this is not  
possible.

**The subject matter of this report deals with the following Council  
Objectives**

People making Havering	[X]
Places making Havering	[X]
Resources making Havering	[X]

**SUMMARY**

This report provides the background for the requirement to produce an Annual Governance Statement (AGS).

The report will update the Committee on progress against the significant governance issues monitored during 2025/26, the status of these issues and any new issues arising for monitoring during 2026/27.

**RECOMMENDATIONS**

To note the contents of and comment on the 2025/26 Annual Governance Statement, attached as Appendix 1.

**REPORT DETAIL**

1. The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.
2. The Annual Governance Statement (AGS) is prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).
3. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. The assurance framework sets out the sources of assurance that are relied upon on to enable preparation of the Annual Governance Statement. These include the work of the internal auditors and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment, and the comments made by the external auditors and other review agencies and inspectorates. The Head of Assurance opinion, set out in the internal audit annual report, forms a key element of the review, as does the Council's work on risk and performance management.

**Head of Assurance Opinion – Year-on-Year Position**

The Head of Audit Opinion for 2024/25 concluded that, while a generally a sound system of internal control was in place, only Limited Assurance could be provided. This reflected significant issues identified late in the year,

including suspected fraudulent activity in areas of the Council, together with a separate, significant control failure within the Temporary Accommodation Service, highlighting weaknesses in budget management, inconsistent application of financial controls, and insufficient management oversight across some service areas. In contrast, based on audit work undertaken during 2025/26, the Head of Assurance is able to provide Reasonable Assurance that the Council maintains a generally sound system of internal control. While some areas of limited assurance remain (including Community Leasing, Garage Allocations, Procurement Processes, and Tenant Management Organisations), these are isolated to specific service areas and do not indicate systemic control weaknesses. Management actions have been agreed, and in many cases already implemented, to address identified risks, with progress subject to Audit Committee oversight. Overall, this represents an improved assurance position compared to the previous year, with no significant thematic concerns emerging during 2025/26 that impact the Council's overall control environment.

4. The AGS covers all significant corporate systems, process and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:
  - the Council's policies are implemented in practice;
  - high quality services are delivered efficiently and effectively;
  - the Council's values and ethical standards are met;
  - laws and regulations are complied with;
  - required processes are adhered to;
  - financial statements and other published performance information are accurate and reliable;
  - human, financial, environmental and other resources are managed efficiently and effectively.
  
5. The AGS is required to disclose any issues that the Council consider to be significant governance issues. The four significant governance issues identified in the 2025/26 Annual Governance Statement are:
  - Delivery of a balanced budget 2026/27
  - Procurement: Continuing to strengthen the governance arrangements for procuring goods and services may be compounded by resourcing issues, effective link in with commissioning, and changes to the scheme of delegation and new regulations during 2024.
  - Inadequate judgement outcome of Starting Well's Social Care Department following Ofsted's Inspection of Local Authority Children's Services (ILACS) in December 2023.
  - A number of control failures were identified towards the end of 2024/25 across three service areas. Reviews undertaken of these incidences have highlighted a combination of inconsistent application of the financial framework and poor management oversight in a limited number of areas. These issues led to financial inefficiencies, potentially resulting

in a misallocation of resources, which may have impacted on service delivery within the areas affected, ultimately resulting in financial loss to the Council. In all incidences, both the first (service delivery and day-to-day management of risks) and second (support, advisory and monitoring responsibilities) line of defence were ineffective.

6. Approval of the Annual Governance Statement should be at a corporate level and should be confirmed by the most senior officer (CE) and member (Leader) signing the statement on behalf of the Council. The Audit Committee is required as part of its role to consider any corporate governance related issues that need to be referred to the Governance Committee for review.
7. The Annual Governance Statement is subject to audit alongside the Statement of Accounts. The auditors do not give an opinion on the statement as such, but consider whether it reflects their understanding of the Council's governance arrangements obtained through all aspects of their work. They also form a view as to whether the statement adequately discloses any significant governance issues.

The Draft AGS for 2025/26 is attached as appendix 1.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

There are no financial implications arising directly from commenting on/agreeing the Annual Governance Statement. However, implementation of the planned actions set out in the AGS may have financial implications. The expectation is that these will be contained within existing resources. Where this is not the case issues will be raised through the appropriate channels.

Failure to produce a robust AGS could result in adverse comments from the Council's External Auditors.

### **Legal implications and risks:**

The Authority is statutorily obliged to conduct a review into the effectiveness of its systems of internal control prepared in accordance with proper practices and to prepare an Annual Governance Statement, which must be approved by the relevant committee (Regulation 6 Accounts and Audit Regulations 2015). Approval of the Annual Governance Statement (subject to any comments on the draft) complies with that requirement.

**Climate Change implications and risks:**

None arising directly from this report. Risks around this are reflected in the Strategic Risk Register and incorporated into the scope of audits where relevant.

**Human Resources implications and risks:**

None arising directly from this report.

**Equalities implications and risks:**

None arising directly from this report.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.