

## **AUDIT COMMITTEE**

**24 SEPTEMBER 2020**

### **ANNUAL GOVERNANCE STATEMENT**

Report from/Author: Perry Holmes, Chief Legal Officer

#### Summary

This report explains the requirements for reporting and approving an Annual Governance Statement (the Statement) covering the financial year 2019/20, and asks Members to approve the Statement.

#### 1. Budget and policy framework

- 1.1. The purpose of the report is to provide Audit Committee with details of the Statement for comment and approval.
- 1.2. The Statement is within the budget and policy framework and is a matter for the Audit Committee to consider and approve.

#### 2. Background

- 2.1. 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.
- 2.2. 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 Statement, which is 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.
- 2.3. There is a prescribed layout for the Statement 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 Statement.

- 2.4. Guidance issued by CIPFA regarding the Statement also recommends that a suitable independent management group should review the content of the Statement. The Council's Audit Committee will undertake this role. The Chief Executive and the Leader of the Council will sign the Statement once the Audit Committee has approved it.
- 2.5. In April CIPFA also issued additional guidance specifically about the Covid-19 pandemic and its impact on the Council's ability to maintain governance. This guidance was considered in the preparation of the Annual Governance Statement and is incorporated where relevant.
- 2.6. At the July meeting of the Committee, it was agreed to defer a decision, pending review of the CIPFA guidance discussed, that said the Annual Governance Statement should focus on outcomes and value for money. Officers in liaison with the Chairman have revised the Annual Governance Statement in light of that request.

### 3. Annual Governance Statement

- 3.1. The Statement is the formal document that recognizes, 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.
- 3.2. 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.

### 4. Risk Management

- 4.1. Failure to produce an Annual Governance Statement could expose the Council to the risk of receiving a qualified opinion on the Statement of Accounts.

### 5. Financial implications

- 5.1. There are no financial implications arising directly from this report.
- 5.2. 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) on which our framework and Annual Governance Statement are based, 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.”

## 6. Legal implications

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

## 7. Recommendation

7.1 The Audit Committee is asked to comment on and approve the Annual Governance Statement.

### Lead officer contact

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### Appendices

Appendix 1 – Annual Governance Statement 2019/20

### Background papers

[DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK \(CIPFA/SOLACE\) Review of annual governance statements 2016/17](#)

[Delivering good governance in Local Government Framework 2016 Edition](#)