

Audit Committee

28th July 2022



| | |
|----------------------------------|--|
| Title | <i>Annual Governance Report 2021-22</i> |
| Purpose of the report | To make a decision |
| Report Author | <i>Terry Collier , Chief Finance Officer</i> |
| Ward(s) Affected | All Wards |
| Exempt | No |
| Exemption Reason | N/A |
| Corporate Priority | Community Affordable housing Recovery Environment Service delivery |
| Recommendations | Committee is asked to: The Audit Committee is asked to approve the draft Annual Governance Statement at Appendix 1 and endorse the improvement actions identified in the Statement. |
| Reason for Recommendation | The Committee has a statutory duty to review and approve on behalf of the Council the Annual Governance Statement. |

1. Summary of the report

- 1.1 The report covers the Council's Annual Governance Statement for 2021-22 reviewing Governance and risk mitigation arrangements and highlighting the Audit Manager's annual audit opinion and identified improvement actions.

2. Key issues

- 2.1 The need to review arrangements for corporate governance and internal control and to produce the Annual Governance Statement (AGS), attached as Appendix 1, is given statutory backing by the Accounts and Audit Regulations 2015. The CIPFA/SOLACE governance framework 'Delivering Good Governance in Local Government' brings together an underlying set of

legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation.

- 2.2 CIPFA has assigned proper practice status to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and (where applicable) leads the community. The degree to which the authority follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations. The Annual Governance Statement (AGS) sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The AGS also identifies any areas of significant weakness in internal controls, and areas for improvement, and the actions taken to remedy these through risk mitigation and effective management.
- 2.3 The Annual Governance Statement relates to the system of governance arrangements and internal control as it applied during the financial year in this case, the 2021/22 financial year
- 2.4 The Audit Commission's Code of Audit Practice states that the AGS and underlying process will form a key piece of evidence for auditors' work on the authority's arrangements to secure economy, efficiency and effectiveness. In summary, the AGS will form an increasingly important part of the external auditors' work and subsequent opinion on the control arrangements of the Council and reviewing the effectiveness of internal control. The scope of internal control spans the whole range of local authority activities and includes those controls designed to ensure that:
- Council strategies and policies are periodically reviewed and put into practice.
 - There is compliance with law and regulation.
 - Agreed procedures and processes are followed to mitigate or reduce risks of error, financial loss, fraud, bribery and corruption.
 - Adequate arrangements for safeguarding the authority's assets and resources.
 - Financial statements and other published information are reliable and accurate.
 - There is the efficient and effective use of management and resources in the delivery of high quality services.
- 2.5 The CIPFA statement recommends that the Council should satisfy itself that it has obtained relevant and reliable evidence to support the Statement and sets out an assurance gathering process framework. This framework comprises the following stages:
- Establish principal statutory obligations and organisational objectives
 - Identify key risks to their achievement
 - Identify and evaluate key controls to manage principal risks

- Obtain assurances on the effectiveness of key controls
- Evaluate and identify gaps in controls and assurances
- Produce an action plan to address gaps and ensure continuous improvement in internal controls
- Produce the Annual Governance Statement Report to Committee

2.6 The sources of assurance include:

- Published documents (e.g. Constitution)
- Corporate management team and managers throughout the organisation assigned with the ownership of risks and delivery of services
- The Monitoring Officer
- The Chief Financial Officer
- Internal Audit, particularly as summarised in the Internal Audit Annual Report for the year
- External Audit
- Review agencies and inspectorates- including in this particular year the Local Government Finance Peer Review
- The CIPFA Financial Management Code Self Assessment
- Review of Corporate Risk Register by Management Team; Corporate Risk Management Group; Audit Committee and Cabinet

2.7 In undertaking the review and completing the Annual Governance Review all of the above sources of assurance have been taken into consideration.

2.8 An important source of assurance is provided by the work of Internal Audit and several of the control issues identified in part 3 of the Statement relate to items identified in the Audit Services' Reports for 2021/22 which have been considered by the Audit Committee, particularly with respect to issues identified in the Corporate Risk Register.

2.9 It is important the actions identified with regard to the control issues are taken forward.

3. Options analysis and proposal

4. It is proposed that the Audit Committee approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2021/22.

5. Financial implications

5.1 Explain the key financial headlines linked to appropriate data in appendices (if required).

6. Risk considerations

6.1 A key focus of the Annual Governance Statement is to review risk mitigation arrangements and improvements.

7. Legal considerations

7.1 None specifically identified

8. Other considerations

8.1 The Accounts and Audit Regulations require the Statement of Accounts to include a signed off Annual Governance Statement, failure to do so could result in qualification of the accounts

9. Equality and Diversity

9.1 Good governance includes ensuring appropriate governance in place to address equality and diversity issues.

10. Sustainability/Climate Change Implications

10.1 Good governance will help the Council effectively address sustainability and climate change issues.

11. Timetable for implementation

11.1 The Annual Governance Statement will be included in the draft Statement of Accounts which the Council will be publishing by the end of July in accordance with national targets.

12. Contact

12.1 Terry Collier

Background papers: There are none.

Appendices:

List as Appendix A Draft Annual Governance Statement for 2021-22