

Audit Committee

30 July 2020



Report of:	Chief Executive
Title:	Draft Annual Governance Statement 2019/20
Ward:	Citywide
Officers Presenting Report:	Denise Murray, Director of Finance & S151 Officer Simba Muzarurwi – Chief Internal Auditor
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Recommendation

The Audit Committee consider and agree the draft Annual Governance Statement as a fair reflection of the internal control and governance environment during 2019/20 and to date, prior to it being finalised and signed by the Mayor, the Chief Executive, Section 151 Officer and Monitoring Officer.

Summary

The City Council is required by the Accounts and Audit Regulations 2015 to prepare an Annual Governance Statement to accompany its published financial statements. A review of the internal control, risk management and governance arrangements has taken place and the resulting draft Statement is attached to this report.

Significant Matters Arising are:

- the requirement for the Annual Governance Statement
- the review process undertaken to enable the Statement to be made
- the draft Annual Governance Statement is attached which details the most significant control and governance issues identified during 2019/20.

1. Policy

Publication of an Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015. Additionally, the Council's Risk Management Policy Statement requires the Audit Committee to review the Annual Governance Statement to ensure it accurately reflects the internal control, risk management and governance arrangements in place.

2. Consultation

Internal – Corporate Leadership Board including S151 Officer and other relevant officers (Monitoring Officer and Chief Internal Auditor)

External – None necessary

3. Context

- 3.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control, and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any shortfalls are identified and addressed.
- 3.2 The AGS must be a fair reflection of the internal control and governance environment during 2019/20 up to the date of being signed by the Chief Executive and Mayor alongside the 2019/20 Annual Statement of Accounts. The External Auditors will review the draft AGS in detail as part of their audit of the Statement of Accounts for 2019/20. The AGS can be updated in September to reflect any governance changes that have occurred since this report.
- 3.3 The Accounts and Audit Regulations 2015 also specify that the AGS is considered by “the organisation itself, or a Committee of the organisation”, and this requirement is being met by this submission to the Audit Committee.

The AGS

- 3.4 A coordinated approach to providing assurance for the 2019/20 Annual Governance Statement has again been utilised with senior managers from across the Council and group of companies completing assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these managers have certified or otherwise their satisfaction with arrangements in place during 2019/20.
- 3.5 The review process also examined a wide range of internal control and governance processes, which included:
 - engaging with Senior Management and other key officers within the Council, where appropriate;
 - obtaining and reviewing External Audit and Inspection reports, Internal Audit reports and management monitoring reports;
 - the scrutiny and evaluation of the information obtained;

- determining significant control issues within the definition agreed for disclosure; and
- consultation with the Corporate Leadership Board including S151 and Monitoring Officer.

The consideration of the draft AGS by the Audit Committee is key part of the review and approval process.

3.6 The AGS explains how well the Council has complied with its Code of Corporate Governance (Code) which is based upon the following seven core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity’s capacity, including the capability of its leadership and individuals within it;
- Managing risks and performance through robust internal control and strong public financial management;
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.7 The AGS summarises the actions and improvements which have been taken to enhance governance arrangements in 2019/20 before setting out significant governance and control issues

3.8 In determining the significant governance issues to disclose, the following factors have been considered on whether the issues had:

- seriously prejudiced or prevented achievement of a principal objective;
- resulted in the need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the business;
- a material impact on the accounts;
- been considered as significant for this purpose by the audit committee or equivalent;
- attracted significant public interest or had seriously damaged the reputation of the Council;
- resulted in formal action being taken by the Section 151 Officer/Monitoring Officer;
- received significant adverse commentary in external inspection reports and which the Council has not been able to address in a timely manner.

3.9 The Draft Annual Governance Statement 2019/20 is at Appendix A.

4. Proposal

4.1 The Audit Committee to consider and agree the draft Annual Governance Statement as a fair reflection of the internal control and governance environment during 2019/20 and to date, prior to it being finalised and signed by the Mayor, the Chief Executive, Section 151 Officer and Monitoring Officer

5. Other Options Considered

Not Applicable

6. Risk Assessment

The need to maintain a robust Risk, Governance and Control environment is pivotal to the effective operations of the Council's functions, a statutory requirement of the Accounts and Audit Regulations 2015 and an implied requirement of the External Auditor.

Failure to maintain and where required improve this environment will not only impact on the proper practices of the Council, but will also be in breach of the Accounts and Audit Regulations 2015 and may attract an adverse opinion from the External Auditor.

Disclosures of significant control weaknesses in a public statement could result in adverse press coverage. The document has also been discussed with Corporate Communications prior to publication.

Public Sector Equality Duties

Not necessary for this report

Legal and Resource Implications

Legal

Not Applicable

Financial

Not Applicable

Land

Not Applicable

Personnel

Not Applicable

Appendices:

Appendix 1 – Draft Annual Governance Statement 2019/20

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Audit Committee Terms of Reference

Risk Management Policy Statement

CIPFA/SOLACE Guidance on the Annual Governance Statement