

Audit Committee

27th August 2020



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

The Audit Committee consider the draft Annual Governance Statement and comment as to whether it represents a fair reflection of the internal control and governance environment during 2019/20 and to date.

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.

At its meeting on 30th July 2020, the Audit Committee considered a first draft of the Annual Governance Statement. The statement has been updated and amended to include the Committees comments as appropriate and is represented in this report.

Significant Matters Arising are:

- the requirement for the Annual Governance Statement (AGS)
- amendments made to the draft AGS following Audit Committee consultation
- the revised draft Annual Governance Statement is attached at Appendix 1

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). Audit Committee.

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 by the Council 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.

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 submission to the Audit Committee.

3.4 Consideration of the draft AGS by the Audit Committee is a key part of the review process. The Committee was provided with details of the review process and the resulting draft of the AGS at its meeting on 30th July 2020. Committee members were also offered the opportunity to comment by email following that meeting.

Amendments Made:

3.5 The AGS has now been updated to reflect comments received from Audit Committee Members both at the meeting and subsequently by email. The revised Annual Governance Statement taking into account where appropriate the Committee’s comments is attached at Appendix 1.

3.6 Amendments made since the Committee last considered the statement are:

- At paragraph 2.3 - inclusion of the percentage of Internal Audit reviews concluding limited assurance to add fuller context to matters regarding the Chief Internal Auditor’s annual audit opinion
- At section 3 - improving the presentation of the governance framework diagram

- At section 4 - item G in the table, inclusion of the need for the Council to obtain regular assurance that the company governance arrangements are effective.
- At paragraph 6.16 – reflection of ‘serious’ issue
- At section 7 – item 3 in the table, the wording has been amended to reflect that a programme of actions are planned over a period of time to improve SEND arrangements.

3.7 In addition, presentational improvements have been made by the council’s design team.

3.8 Details of the AGS review process and criteria for determining whether control and governance issues identified as part of the process were provided to the committee at their meeting on 30th July 2020. However, Appendix 2 reproduces this detail again for information in the Committees current consideration of the draft AGS.

4. Proposal

4.1 The Audit Committee to consider the draft Annual Governance Statement and comment as to whether it is a fair reflection of the internal control and governance environment during 2019/20 and to date.

5. Other Options Considered

Not Applicable

6. Risk Assessment

6.1 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.

6.2 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.

6.3 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

Appendix 2 – Annual Governance Review Process

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