

REPORT FOR DECISION	
Agenda Item	

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MEETING: **AUDIT COMMITTEE**

DATE: **25 FEBRUARY, 2020**

SUBJECT: **ANNUAL GOVERNANCE STATEMENT 2019/20**

REPORT FROM: **INTERIM DEPUTY CHIEF FINANCE OFFICER**

CONTACT OFFICER: **LISA KITTO**

TYPE OF DECISION: Non key.

FREEDOM OF INFORMATION/STATUS: **In the public domain**

SUMMARY:

OPTIONS & RECOMMENDED OPTION Members are recommended to note the report and the key dates in compiling the annual governance statement.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Yes
Financial Implications and Risk Considerations:	There are no financial implications arising from this report.
Statement by the Joint Chief Finance Officer (S151 Officer):	The annual governance statement is a statutory requirement.
Equality/Diversity implications:	None.
Considered by Monitoring Officer:	Yes
Are there any legal implications?	No
Staffing/ICT/Property:	There are no direct resource implications arising from the report.
Wards Affected:	The work of Internal Audit impacts on all of the Council's wards and Township Forums.

TRACKING/PROCESS**DIRECTOR: Mike Woodhead**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	✓Chair		
Scrutiny	Cabinet	Committee	Council
		Audit 25/02/2020	

1.0 BACKGROUND

- 1.1 The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015. This report sets out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2019/20.

2.0 ISSUES

- 2.1 The Accounts and Audit Regulations 2015 set out requirements related to the Council's systems of internal control, and the annual review and reporting of those systems.
- 2.2 The Regulations require Councils to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which include the arrangements for the management of risk.
- 2.3 In addition, the Regulations require the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control. Following the review the Council must approve an Annual Governance Statement which then accompanies its Statement of Accounts. This assurance statement is made by the Chief Executive and Leader of the Council.
- 2.4 The Annual Governance Statement (AGS) should be prepared in accordance with "proper practices" as set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" and supporting guidance associated with this.
- 2.5 The deadline for completing the AGS is 31 July in line with the deadline for approval of the accounts. In addition, in accordance with best practice, a full draft version of the AGS will be shared with the Accounts and Audit Committee in advance of this.

3. Governance

- 3.1 The CIPFA/SOLACE framework provides a structure to assist authorities with their approach to governance and the production of the AGS. The framework and supporting guidance was updated for in 2016 and in producing the 2019/20 AGS, the guidance will be taken into account through the process.
- 3.2 Authorities are required to review their governance arrangements against the principles contained in the Framework. The Framework, as to be applied for the 2019/20 AGS, adopts seven core principles that must be considered when defining good governance:
- 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 the 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.
- 3.3 In order to meet the expectations of the Corporate Governance framework, local authorities are expected to do the following:
- Review their existing governance arrangements against the Framework.
 - Maintain a local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
 - Prepare an **Annual Governance Statement** (As required in the Accounts and Audit Regulations 2015) in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

4. Process to Support the Annual Governance Statement

- 3.1 The proposed timetable for producing the AGS reflects input from Members and Officers to the process.
- 3.3 The following arrangements are in place to enable the production of the AGS in 2019/20:

a) Annual Review of Corporate Governance (Assurance Gathering process)

An assurance mapping exercise to identify potential sources of assurance available will be carried out with the aim of:

- Mapping systems / processes in relation to which assurance is required in accordance with the existing CIPFA framework.
- Identifying existing sources of assurance to confirm that key controls / risks are operating / managed effectively. Sources include:

- **Management Controls** including legal compliance, performance management, and risk and financial reporting functions operating at corporate and directorate level;
- **Internal assurance** including Internal Audit, other compliance functions and internal review work;
- **External assurance** e.g. External auditor and other inspectorates, partner's compliance functions etc.

In addition, as part of this process, the Council's Corporate Governance Code will be reviewed and updated where applicable to ensure it reflects changes including the updated CIPFA/SOLACE guidance.

b) Production and Approval of the Annual Governance Statement

- Input from Members and Officers to produce and approve the 2019/20 AGS includes:
 - Directors and senior managers to contribute to the content of the Statement.
 - Directors and senior managers to review the adequacy/robustness of the Statement.
 - Chief Executive and Leader to agree the draft AGS.
 - Draft Annual Governance Statement to accompany the draft accounts to be provided to the External Auditor.
 - Draft Annual Governance Statement to be shared with the Audit Committee.
 - Audit Committee to approve the final version of the AGS, which is signed by the Chief Executive and Leader, and accompanies the Council's final accounts.

3.4 The planned timetable for the process of producing the AGS is in Appendix A. This may be subject to change following any further guidance from CIPFA.

4. Benefits of the Process

- 4.1 It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and identifies where strengths and areas for development exist in those arrangements. Where significant governance issues are identified, progress can be monitored as required through the year (and reflected within the following year's AGS).
- 4.2 It is recognised that the proposed approach is considerably different to previous years and there is likely to be a significant amount of work to update the Council's AGS. Progress and potential areas for future development will be identified and reported to the committee to support and improve the process in future years.

Lisa Kitto
Interim Deputy Chief Finance Officer

List of Background Papers:

None

Contact Details:-

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Action Plan to enable the production of the Annual Governance Statement for 2019/20

Actions Required	Completion date
<ul style="list-style-type: none"> Audit Committee to receive report outlining the Authority's approach to the Annual Governance Statement for 2019/20. 	25 February 2020
<ul style="list-style-type: none"> Obtain assurance on risk management processes / management of strategic risks – final update of Strategic Risk Register for 2019/20 to be agreed by the Joint executive Team. 	March 2020
<ul style="list-style-type: none"> Production of the Annual Head of Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2019/20 providing assurance relating to key systems, procedures and controls in place across the Council. 	May 2020
<ul style="list-style-type: none"> Review and evaluation of the Authority's actual position in relation to its Corporate Governance Code. Complete collation of evidence to support the production of the draft Statement. 	April/May 2020
<ul style="list-style-type: none"> Production of a first draft of the Annual Governance Statement and updated Corporate Governance Code for review by / comment from senior officers. 	May 2020
<ul style="list-style-type: none"> Draft Annual Governance Statement for 2019/20 to be agreed by the Chief Executive and Leader and shared with the External Auditors and Audit Committee. 	May/June 2020
<ul style="list-style-type: none"> Final Annual Governance Statement 2019/20, signed by the Chief Executive and Leader, to be submitted to accompany the final accounts and approved by the Accounts and Audit Committee. 	July 2020