



Classification	Item No.
Open	

<b>Meeting:</b>	Audit Committee
<b>Meeting date:</b>	25 <sup>th</sup> January 2021
<b>Title of report:</b>	Annual Governance Statement 2020/21
<b>Report by:</b>	Interim Director of Financial Transformation
<b>Decision Type:</b>	Council
<b>Ward(s) to which report relates</b>	<b>All</b>

## **Executive Summary:**

This report sets out the proposed and timetable to be adopted to compile the Annual Governance Statement for 2020/21

## **Recommendation(s)**

### **That:**

- Members note this report and the key activities and dates in compiling the Council's Annual Governance Statement for 2020/21.

## **Key Considerations**

### **1. 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 2020/21.

### **2. 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 current deadline (31 July) for approving the Council's accounts and completing the AGS, is currently being reviewed by the MCHLG, following the Redmond Review. This review set out a proposed extension to the deadline for published audited accounts to 30 September for a period of two years. Consultation with key stakeholders is due to be completed early in the New Year, so this date is subject to change. If the Review's recommendations are accepted and implemented by Government, 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 date.
- 2.6 Therefore, the timetable of AGS activities is set out in Appendix A. However, as above, this may need to be reviewed. This position will be monitored and reviewed in line with any further government updates which may be received in light of the Redmond review.
- 2.6 The Council has had to act quickly during 2020/21 to respond to the risks and to address the issues arising from the COVID-19 pandemic. Some services, e.g. car parking, libraries and leisure services, have at key intervals (e.g.

National Lockdown), been suspended and staff resources have been redirected to provide assistance to other services where help has been required. This includes the staff within the Internal Audit Team, who have also been assisting with the administration of Business Grants and Self-isolation payments. There is a report in this agenda which sets out the key outcomes from this process.

- 2.7 It is expected that the impact of COVID-19 may have raised new governance matters, which will be need to be reflected in the 2020/21 statement. There is also a risk that the Annual Opinion of the Head of Internal Audit may need to be redirected to alternative sources of assurance for the work which has been undertaken in 2020/21. Members will be verbally updated on this matter at the meeting.

### **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 2020/21 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 2020/21 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 by 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**

4.1 The proposed timetable for producing the AGS reflects input from Members and Officers to the process.

4.2 The following arrangements are in place to enable the production of the AGS in 2020/21:

##### **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 and a review will be undertaken to determine the progress made addressing issues identified in the 2019/20 AGS. The current progress towards the 2019/20 AGS Action Plan is included elsewhere on this agenda.

##### **b) Production and Approval of the Annual Governance Statement**

Input from Members and Officers to produce and approve the 2020/21 AGS includes:

- Executive Directors and senior managers to contribute to the content of the Statement.
- Executive 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.

- 4.3 The planned timetable for the process of producing the AGS is included as Appendix A. This timetable will be reviewed on a regular basis to ensure any changes are captured to reflect legal and from professional guidance, e.g. following any further guidance from CIPFA.

## **5. Benefits of the Process**

- 5.1 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).
- 5.2 It is recognised that the proposed approach may require greater resource due to the COVID-10 pandemic. Work is underway to determine the sources of assurance to allow the AGS to be prepared for 2020/21. Progress and potential areas for future development will be identified and reported to the committee to support and improve the process in future years.

## **Community impact / Contribution to the Bury 2030 Strategy**

Ensuring compliance with Financial Procedures and Policies

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### **Equality Impact and considerations:**

24. *Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:*

*A public authority must, in the exercise of its functions, have due regard to the need to -*

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*
25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations,*

*and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.*

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## **Assessment of Risk:**

The following risks apply to the decision:

<b>Risk / opportunity</b>	<b>Mitigation</b>
If the AGS timetable is not achieved there is a risk that the AGS is not completed to meet the statutory deadline.	The progress of completion of works for the AGS will be monitored and reported to future Audit Committees.

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## **Consultation:**

There are no consultation requirements.

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## **Legal Implications:**

The Council must have a sound system of internal control which facilitates the effective exercise of its functions, including risk management. This is both a legal requirement and a requirement of the Financial Regulations set out in the Council's Constitution. This report provides information on the work of the Council's Internal Audit Service, in ensuring compliance.

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## **Financial Implications:**

There are no financial implications arising from this report. The work of the Internal Audit Service however supports the governance framework and the work on business grants has also ensured that the risk of fraud to the Council is minimised.

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## **Report Author and Contact Details:**

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## **Background papers:**

Annual Governance Statement 2019/2020

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

Term	Meaning
CIPFA	Chartered Institute of Public Finance and Accountancy
AGS	Annual Governance Statement



## Appendix A

### Action Plan to produce the 2020/21 Annual Governance Statement 1

**\*\*** Due to the Redmond Review, and the associated current consultation, the dates for the 2020/21 Statutory Accounts are subject to review and update. Updates will be reported to the Audit Committee when they become available.

The current dates assume that the statutory accounts date is unchanged.

<b>Actions Required</b>	<b>Completion Date **</b>
Audit Committee to receive and review this report, which outlines the Authority's approach to the Annual Governance Statement for 2020/21.  Verbal update regarding the Head of Audit Opinion for 2020/21.	January 2021
Interim review of actions taken to address the issues identified in 2019/20 AGS (see separate report to the Audit Committee on this matter).	January 2021
Obtain assurance on risk management processes / management of strategic risks – final review and update of Corporate Risk Register for 2020/21 to be agreed by the Joint Executive Team and rolled forward for management in 2021/22.	March 2021
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 2021
Review the actions taken to address issues raised in the 2019/20 AGS.	May 2021
Production of a first draft of the AGS Statement and updated Corporate Governance Code for review by / comment from senior officers.	May 2021
Draft Annual Governance Statement for 2020/21 to be agreed by the Chief Executive and Leader	June 2021

<b>Actions Required</b>	<b>Completion Date **</b>
Draft Annual Governance Statement for 2020/21 shared with the External Auditors and Audit Committee	July 2021
Production of the Annual Head of Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2020/21 providing assurance relating to key systems, procedures and controls in place across the Council. (included for Member's information)	July 2021
Final Annual Governance Statement 2020/21, signed by the Chief Executive and Leader, to be submitted to accompany the final accounts and approved by the Accounts and Audit Committee.	July 2021