

**FINANCE, AUDIT & RISK COMMITTEE**  
**12 JULY 2021**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2020/21**

REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

**1. EXECUTIVE SUMMARY**

- 1.1 For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement 2020/21(AGS) including Action Plan for the year 2021/22.

**2. RECOMMENDATIONS**

- 2.1 That the Committee is recommended to review and comment on the draft AGS Action Plan in order for it to be finalised for approval as soon as possible after the Council's External Audit has been completed.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval after the External Audit has been completed.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There are no alternative options to be considered.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 No prior consultation has taken place, although a copy of the draft AGS has been sent to the Shared Internal Audit Service (SIAS), Ernst & Young (External Auditors) and the Shared Anti-Fraud Service. Received comments have been included in the draft statement. Reference has also been made to relevant papers presented at the June meeting before being finalised after the Council's External Audit has been completed.

## 6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

## 7. BACKGROUND

- 7.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.
- 7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance<sup>1</sup>.
- 7.3 The draft AGS has been prepared following an in-depth review/ input and scoring of arrangements by the Leadership against the Framework 2016 Principles (in accordance with the guidance<sup>2</sup>). The Leadership has reviewed and provided details of systems and examples that met the 2016 Principles and scored the arrangements on the assurance level basis:
- Full: There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
  - Substantial: Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
  - Moderate: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
  - Limited: There are significant weaknesses in key control areas, which put the system objectives at risk.
  - No: Control is weak, leaving the system open to material error or abuse.
- 7.4 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements.
- 7.5 Members will note at this stage, that a key element of the review of effectiveness, detailed in the draft AGS, includes the Head of Internal Audit's Annual report/ Opinion on arrangements. This report was presented to the June meeting and has been incorporated into the AGS.

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<sup>1</sup> CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

<sup>2</sup> As above (*ibid*)

- 7.6 Members are reminded that the AGS must be approved before the Statement of Accounts and it must be published alongside them. The Council will include the 2020/21 AGS with the Statement of Accounts (as it has in previous years).

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The Leadership AGS self-assessment, external organisation and Committee's review of the draft AGS (in preparation for finalising the AGS) provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further reinforced.
- 8.2 The draft AGS for 2020/21 is attached as Appendix A for review and comment. The Leadership AGS self-assessment will be available on the Corporate Governance webpage after all comments have been received as per paragraph 5.2 as detailed under background documents.
- 8.3 Updates on the AGS Action Plan will be reported to this Committee twice a year at the September and March meetings.
- 8.4 Overwhelmingly following on from the process as outlined at 7.3, Leadership concluded that the assurance level as assessed against the 2016 Principles were Substantial. Actions were included to address any perceived weaknesses, and these have been detailed in the draft AGS Action Plan (final page to Appendix A). The detailed (114 pages) self-assessment document has not been appended. It will, however, following comments from SIAS and advice from CIPFA be loaded on the Council's Corporate Governance internet pages.

## **9. LEGAL IMPLICATIONS**

- 9.1 Under the LAAA 2014/ AAR 2015 Regulations (as amended by the Amendment Regulations 2021) the 2020/21 AGS should be approved by this Committee by 30 September, alongside the approval of the Statement of Accounts. Where this date for the Statement of Accounts is not achieved then the Council must publish a notice on its website stating that this is the case and the reason for the delay. The Council's External Auditors will consider the AGS when conducting their audit so it is good practice to approve the AGS at the same time as the Statement of Accounts, even if it is ready before the Statement of Accounts have been audited and are ready for approval. Other legal implications are set out under section 7 above.
- 9.2 The Terms of Reference of this Committee under 10.1.5(i) are: "*To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.*" This review of the draft AGS therefore falls within the Committee's remit.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The final AGS is to be approved and accompany the Statement of Accounts. By presenting the draft AGS to this Committee before the audit of the accounts is concluded, the Committee has time to raise any points that may need to be addressed. The Council has been notified by Ernst and Young that the audit of the Council's Statement of Accounts will not commence until at least November. This is due to resourcing issues at Ernst and Young, relating both to Covid-19 and general Public Sector audit issues. In accordance with paragraph 9.1 above the Council will publish a notice (when required) to state and explain the delay. The Statement of Accounts and AGS will be approved by this Committee as soon as possible after the Audit has been completed. Other than this there are no financial implications arising from this report.

## **11. RISK IMPLICATIONS**

- 11.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.1 There are no direct equality implications of this report or the AGS. Where relevant the Council's arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the Leadership AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Policy and Community Engagement Manager. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy and Community Engagement Manager/ Trainee Policy Officer undertakes an Annual Cumulative Equality Impact Assessment of these and publishes them on the internet.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1. The Social Value Act and "go local" requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 For the employees of the Council the Organisational Values and Behaviours and Employee Handbook provide further advice on the standards we expect from our staff.

## **16. APPENDICES**

- 16.1 Appendix A –Draft AGS for 2020/21

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## **18. BACKGROUND PAPERS**

- 18.1 The Leadership AGS self-assessment will be placed on the Corporate Governance Page following the process in 8.4: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This will also contain links to relevant background documents, reports, Policies and Guidance. The draft AGS also contains links to relevant documents.