

**Report for: GOVERNANCE, AUDIT,
RISK MANAGEMENT
and STANDARDS
COMMITTEE
(Non-Executive)**

Date of Meeting:	2 nd August 2022
Subject:	Draft Annual Governance Statement 2021/22
Responsible Officer:	Dawn Calvert, Director of Finance & Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 – Draft Annual Governance Statement 2021/22

Section 1 – Summary and Recommendations

This report sets out the annual governance process and the Draft Annual Governance Statement (AGS) 2021/22 for information.

Section 2 – Report

Introduction

- 2.1 Harrow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires *‘an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England)’*.
- 2.4 Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, requires that *“for a local authority in England, the statement is an Annual Governance Statement”*.
- 2.5 The CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* was updated in 2016 and this Framework applies to annual governance statements prepared for the financial year 2016/17 onwards. The overall aim of the Framework *‘is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities’*.
- 2.6 In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be *“prepared in accordance with proper practices in relation to accounts”* and must be *“approved in advance of the relevant authority approving the statement of accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code”*.
- 2.7 The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

2.8 The Annual Governance Statement explains how the Council has complied with the framework and meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control (Annual Governance Statement).

Annual Governance Statement

2.9 Since 2005/06 the Council has undertaken an annual review of its governance arrangements to meet the requirements of the Framework. In the early years this approach helped us to identify a number of significant governance gaps, however in more recent years the majority of significant gaps have been identified by Internal Audit work and/or senior management input, with the framework only helping to identify minor governance gaps, many of which are ongoing. Essentially the framework provides a very granular approach to the review of governance and is useful in confirming that the basic building blocks of governance are in place.

2.10 Bearing this in mind and taking into account the impact of the pandemic on resources the approach to the annual review process for 2020/21 was revised with a higher level approach being taken generally with some deep dives into a few specific known risk areas, utilising work already undertaken or planned wherever possible. The table below outlines the approach taken in previous recent years, the 2020/21 approach and the approach being taken for 2021/22 which is a hybrid of the two previous approaches.

Previous Approach	2020/21 Approach	2021/22 Approach (Hybrid)
<p>A detailed review and update of governance processes in place during the year against the CIPFA Delivering Good Governance in Local Government Framework with significant input from the Corporate Governance Working Group, mainly Legal, Performance and HR.</p>	<p>A light-touch review of governance processes in place during 2020/21 with the Corporate Governance Working Group being asked to identify only significant changes to governance processes and/or governance gaps.</p> <p>Details usually fed into the Annual Governance Statement from this review will be checked and updated before inclusion in the 2020/21 AGS including Covid-19 arrangements and the impact on governance.</p> <p>Follow up on minor governance gaps identified from last year's process as part of the 2020/21 IA Plan and the results of this exercise</p>	<p>A light-touch plus review of governance processes in place during 2021/22 with the Corporate Governance Working Group being asked to identify key governance processes and significant changes to governance processes and/or governance gaps.</p> <p>Details fed into the Annual Governance Statement from this review will be checked and updated before inclusion in the 2021/22 AGS.</p> <p>Identification of minor governance gaps for 2021/22</p>

	will be fed into the annual review of governance.	
Management Assurance completed by Corporate Directors and their management teams including the provision of external assurance reports received during the year.	Management Assurance to specifically cover risk management arrangements and external assurance reports received during the year.	Management Assurance to specifically cover risk management arrangements and external assurance reports received during the year
Joint Working/Council Trading Companies evidence based self-assessments of governance arrangements reviewed and updated for all but Concilium Assets LLP.	Concilium Assets LLP evidence based self-assessment to be undertaken	Update of the Joint Working/Council Trading Companies evidence based self-assessments (expect Concilium)
Internal Audit review of 2/3 core financial systems – 2/3 system reviews each year on a cyclical risk basis supplemented by evidence based self-assessments of the others undertaken by management. Follow-up of recommendations made the previous year.	All core financial systems: Evidence based self-assessments to be completed by management supplemented by testing undertaken by Internal Audit of authorisations during 2020/21 across all core financial systems and follow-up of recommendations made in 2020/21.	Internal Audit review of 2 core financial systems – 2 system reviews each year on a cyclical risk basis supplemented by evidence based self-assessments of the others undertaken by management. Follow-up of recommendations made the previous year.
	Deep Dive: Croydon Public Interest Report – an evidence based self-assessment led by Internal Audit against the recommendations made in this report covering overspends in Childrens and Adults, lack of adequate member scrutiny/challenge (based on the review of meeting minutes), overall weak governance in the budget setting and decision making process, increased borrowing used to purchase investment properties.	
	Deep Dive: CIPFA Financial Management Code – Financial Standards compliance – an evidence based compliance check led by Internal Audit with input from across the Council.	Deep Dive: CIPFA Financial Management Code – Financial Standards compliance – an evidence based compliance check led

		by Internal Audit with input from across the Council. (continuation of work started last year)
	Deep Dive: MHCLG Addressing cultural and governance failings in local authorities: lessons from recent interventions – an evidenced based self-assessment led by Internal Audit.	

- 2.11 Internal Audit co-ordinates and reviews the evidence/assurance provided as part of the process and this is used as a basis for the preparation of the AGS.
- 2.12 The 2019/20 and 2020/21 Annual Governance Statements included two new significant areas: the Chartered Institute of Public Finance (CIPFA) issued a briefing note requiring Council’s to include details of the impact of the Covid 19 pandemic on governance within their 2019/20 statements and the Committee on Standards in Public Life published its report on local government ethical standards stating that it is best practice to report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. The specific section on the impact of Covid 19 has been removed for the 2021/22 AGS with any relevant bits being integrated into other parts of the statement. However the section on separate bodies has been retained.
- 2.13 The draft Annual Governance Statement (Appendix 1) is written on behalf of the Leader of the Council and the Interim Chief Executive and was prepared for inclusion in the 2021/22 draft accounts to be published by the end of July. The draft AGS outlines the key findings of the annual review of governance so far. This review is ongoing and once completed will be reflected in the final AGS which will be brought back to the GARMS Committee for review prior to being signed off by the Leader and the Interim Chief Executive and included with the final annual accounts. This meets the statutory requirement of Regulation 6 of the Accounts and Audit Regulations 2015 which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control”

Legal Implications

As covered in the main body of the report.

Financial Implications

There are no financial implications to this report.

Risk Management Implications

Risks included on corporate or directorate risk register? **Yes/No**

Separate risk register in place? **Yes/No**

The relevant risks contained in the register are attached/summarised below. **Yes/No/n/a**

This is an information report therefore there are no key risks to be taken into account as there are no recommendations in this report however the risk of not preparing an AGS is outlined below:

Risk Description	Mitigations	RAG Status
Non-compliance with Regulation 6 of the Accounts and Audit Regulations 2015	<ul style="list-style-type: none">• The annual review of governance• Preparation and publication of the AGS with the accounts	Green

Equalities implications / Public Sector Equality Duty

n/a

Council Priorities

The annual review of governance reviews arrangements in place to ensure that the intended positive outcomes for residents as outlined by the Council's priorities are achieved.

1. **Improving the environment and addressing climate change**
2. **Tackling poverty and inequality**
3. **Building homes and infrastructure**
4. **Addressing health and social care inequality**
5. **Thriving economy**

Section 3 - Statutory Officer Clearance

As this is an information report no clearances are necessary however it should be noted that the draft Annual Governance Statement has been

reviewed by the Director of Finance & Assurance, the Chief Executive and the Leader of the Council.

Mandatory Checks

Ward Councillors notified: ~~YES~~*/ NO*, as it impacts on all Wards

Section 4 - Contact Details and Background Papers

Contact: Susan Dixon, Head of Internal Audit & Corporate Anti-Fraud, 02084241420

Background Papers: None.

If appropriate, does the report include the following considerations?

- | | |
|-----------------|---------------------|
| 1. Consultation | YES / NO |
| 2. Priorities | YES / NO |