

**Report for: GOVERNANCE, AUDIT,  
RISK MANAGEMENT  
and STANDARDS  
COMMITTEE**

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<b>Date of Meeting:</b>	13 <sup>th</sup> July 2021
<b>Subject:</b>	Draft Annual Governance Statement 2020/21
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance & Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – Draft Annual Governance Statement 2020/21

**Section 1 – Summary and Recommendations**

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This report sets out the annual governance process and the Draft Annual Governance Statement (AGS) 2020/21 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 ongoing impact of the pandemic on resources the approach to the annual review process has been 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 and the 2020/21 approach with an explanation and details of the impact of the changes.

<b>Previous Approach</b>	<b>2020/21 Approach</b>	<b>Explanation/Impact</b>
<p><b>A detailed review and update of governance processes</b> 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><b>A light-touch review of governance processes</b> 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><b>Follow up on minor governance gaps identified from last year's process</b> as part of the 2020/21 IA Plan and the results of this exercise will be fed into the annual review of governance.</p>	<p>This will provide an overview of the governance framework that has been in place for years without the detail – the majority of which is not included in the Annual Governance Statement. It will free up officer time in the Resources Directorate to enable work on supporting the Council's response to the Covid-19 Pandemic and the introduction of Dynamics (the new ERP system to replace SAP) to continue unhindered.</p>

<p><b>Management Assurance</b> completed by Corporate Directors and their management teams including the provision of external assurance reports received during the year.</p>	<p><b>Management Assurance</b> to specifically cover risk management arrangements and external assurance reports received during the year.</p>	<p>This is an important element of the review ensuring input across the Council at a senior level and is key to identifying external assurance received during the year and significant governance gaps.</p>
<p><b>Joint Working/Council Trading Companies evidence based self-assessments</b> of governance arrangements reviewed and updated for all but Concilium Assets LLP.</p>	<p><b>Concilium Assets LLP evidence based self-assessment</b> to be undertaken</p>	<p>These evidence based self-assessments were reviewed and updated last year for all but Concilium Assets LLP covering core governance requirements – these are unlikely to have changed. However a minor governance gap was identified last year in relation to the publication of board minutes and this will be picked up as part of the afore mentioned follow-up exercise.</p>
<p><b>Internal Audit review of 2/3 core financial systems</b> – 2/3 system reviews each year on a cyclical risk basis supplemented by <b>evidence based self-assessments of the others</b> undertaken by management. <b>Follow-up of recommendations made the previous year.</b></p>	<p><b>All core financial systems: Evidence based self-assessments</b> to be completed by management <b>supplemented by testing undertaken by Internal Audit of authorisations</b> during 2020/21 across all core financial systems and <b>follow-up of recommendations made in 2020/21.</b></p>	<p>This work feeds into the Head of Internal Audit's Overall Opinion which is included in the AGS and has been undertaken in the same way for a number of years as part of the Internal Audit Plan. As with the overall annual governance review in the early years some significant control issues were identified however in more recent years only more minor control issues have been identified in the core financial systems. Therefore, not undertaking the system reviews this year is low risk.</p> <p>Throughout 2020/21 Internal Audit have provided advice on providing authorisations, that are</p>

		not automated, whilst working remotely. As some compromises have had to be made this is an area of risk and therefore testing will be undertaken to obtain assurance that appropriate authorisations have been obtained as advised and that there has been no loss to the Council as a result.
	<b>Deep Dive: Croydon Public Interest Report</b> – 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.	This assessment has already been completed with the Director of Finance & Assurance and Head of Strategic & Technical Finance and will be fed into the annual review of governance and the final AGS.
	<b>Deep Dive: CIPFA Financial Management Code – Financial Standards compliance</b> – an evidence based compliance check led by Internal Audit with input from across the Council.	The revised Financial Management Code was launched in October 2019 and came into effect April 2020 however the first full compliance year for the Code is 2021/22. It is the responsibility of the Authority to assess compliance against the Code which is not mandatory but represents good practice.
	<b>Deep Dive: MHCLG Addressing cultural and governance failings in local authorities: lessons from recent interventions</b> – an evidenced based self-assessment led by Internal Audit.	This report was issued in June 2020 and covers lessons learnt from interventions since 2010 (Doncaster, Tower Hamlets, Rotherham and Northamptonshire.  This assessment is currently in the planning stage and will

		need to be undertaken with the Leadership Team (CSB + Cabinet)
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- 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 Annual Governance Statement 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. Both of these elements have again been included in the 2020/21 statement.
- 2.13 The draft Annual Governance Statement (Appendix 1) is written on behalf of the Leader of the Council and the Chief Executive and was prepared for inclusion in the 2020/21 draft accounts published on 5<sup>th</sup> July 2021 as included on the agenda of this meeting. 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 in September prior to being signed off by the Leader and the 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"> <li>• The annual review of governance</li> <li>• Preparation and publication of the AGS with the accounts</li> </ul>	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 Dixson, Head of Internal Audit & Corporate Anti-Fraud,  
02084241420

**Background Papers:** None.

If appropriate, does the report include the following considerations?

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