

**Report for: Governance, Audit,
Risk Management and
Standards Committee**

Date of Meeting: 30 November 2022

Subject: Annual Governance Statement
2021/22

Responsible Officer: Dawn Calvert, Director of Finance &
Assurance

Exempt: No

Wards affected: All Wards

Enclosures:

- Annual Governance Statement
2021/22
- Annual Review of Governance
2021/22 - Evidence Table
- Management Assurance
2021/22

Section 1 – Summary and Recommendations

This report sets out the Annual Governance Statement (AGS) 2021/22.

Recommendations:

The GARMS Committee is requested to

- Note the Head of Internal Audit's Final Audit Opinion 2021/22
 - Review the Annual Governance Statement 2021/22 in line with the Committee's terms of reference, to consider whether the AGS properly reflects the risk environment and supporting assurances and legal and financial advice, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control;
 - Suggest any appropriate changes and recommend it for approval by the Leader and Chief Executive.
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Section 2 – Report

Head of Internal Audit's Opinion 2021/22

- 2.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management (Corporate Strategic Board) and approved by the Governance, Audit, Risk Management & Standards Committee (Harrow Council's Audit Committee), designed to provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 2.2 The 2021/22 Head of Internal Audit's Opinion for 2021/22 is qualified given the significantly reduced level of internal audit work performed during 2021/22 due to the considerable amount of work undertaken on the significant governance gap identified in the 2020/21 Annual Governance Statement.
- 2.3 The Head of Internal Audit's overall opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control based on the annual review of governance and the assurance work of Internal Audit throughout 2021/22 is: **Good with some significant improvements required in a few areas**. This is a qualified opinion based on fewer reviews undertaken than in a

typical year due to the considerable amount of work required on the significant governance gap during 2021/22. Review of the operation of Council's core financial systems, Housing Benefits, Treasury Management, Housing Rents, Business Rates, Capital Expenditure, Corporate Accounts Receivable, Corporate Accounts Payable, Payroll and Council Tax during 2021/22 demonstrated a sound level of control in place with 7 receiving a green assurance rating and 2 an amber/green assurance, a slight overall improvement from 2020/21. One red assurance report, relating to the significant governance gap and two red/amber assurance reports relating to schools were issued during the year. All recommendations made to improve control were agreed by management.

Annual Governance Statement

Background

- 2.4 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.
- 2.5 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.
- 2.6 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)*'.
- 2.7 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*'.
- 2.8 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*'.
- 2.9 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”.

- 2.10 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.
- 2.11 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 Review

- 2.12 Since 2005/06 the Council has undertaken an evidence based self-assessment annual review of its governance arrangements to meet the requirements of the framework. A lighter touch/higher level approach was taken to the 2020/21 review however a complete review against the CIPFA Framework has been undertaken for 2021/22 and is shown in the Evidence Table attached along with the results of the Management Assurance exercise for 2021/22.

Annual Governance Statement 2021/22

- 2.13 The Draft Annual Governance Statement was agreed by the Interim Chief Executive in July 2022, presented to the GARMS Committee in August 2022 and included in the Council’s Draft Accounts. The final AGS shows changes made to the draft as a result of finalising the annual review of governance and the Management Assurance exercise in red for ease of review.
- 2.14 The AGS is prepared on behalf of the Leader of the Council and the Chief Executive.

Legal Implications

- 2.15 As covered in the main body of the report.

Financial Implications

- 2.16 There are no financial implications to this report.

Risk Management Implications

- 2.17 Risks included on corporate or directorate risk register? **No**
- 2.18 Separate risk register in place? **No**
- 2.19 The relevant risks contained in the register are attached/summarised below. **n/a**
- 2.20 The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Non-compliance with the Public Sector Internal Audit Standards	<ul style="list-style-type: none">Production of the Head of Internal Audit's Opinion	Green
The Council does not comply with Regulation 6 of the Accounts and Audit Regulations 2015	<ul style="list-style-type: none">Annual review of governancePublication of the Annual Governance Statement	Green

Equalities implications / Public Sector Equality Duty

- 2.21 Was an Equality Impact Assessment carried out? No as not relevant to this report.

Section 3 - Statutory Officer Clearance

Statutory Officer:

Signed on by the Chief Financial Officer

Dawn Calvert, Director of Finance & Assurance

Date: 21 November 2022

Statutory Officer:

Signed on by the Monitoring Officer

Hugh Peart, Director of Legal & Governance

Date: 18 November 2022

Mandatory Checks

Ward Councillors notified: 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?

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