

This report will be made public on 21 July 2021



Report Number **AuG/21/09**

To: Audit and Governance Committee
Date: 29th July 2021
Status: Non-Executive Function
Director: Amandeep Khroud, Assistant Director – Governance, Law and Service Delivery

SUBJECT: ANNUAL GOVERNANCE STATEMENT 2020/21

SUMMARY

Under the Accounts and Audit (England) Regulations 2015, local authorities are required to produce an Annual Governance Statement. This report describes the process followed and seeks approval for the Annual Governance Statement for the year 2020/21.

REASONS FOR RECOMMENDATIONS:

The Committee is asked to agree the recommendations set out below because:-

- a) The Council is required to publish an Annual Governance Statement under the Accounts and Audit (England) Regulations 2015.
- b) In order to comply with best practice, those charged with governance should independently contribute to the maintenance of an effective programme of internal control.
- c) Those charged with governance are required to consider the statement independently of the financial statements.

RECOMMENDATIONS:

1. To receive and note report AuG/21/09.
2. To approve the draft Annual Governance Statement for 2020/21.
3. To approve the council's corporate action plan outlined in Appendix 1 for 2021/22.

1. INTRODUCTION

1.1 The Annual Governance Statement is a corporate document and should involve a variety of people charged with delivering good governance across the authority. This includes:

- Chief Executive, Directors, Assistant Directors, Chief Officers and managers who are responsible for managing risks and the delivery of services.
- The Chief Financial Officer who is responsible for the accounting control systems and the preparation of the Statement of Accounts.
- The Monitoring Officer in meeting his/her statutory responsibilities.
- Members (e.g. the Leader and the Audit and Governance Committee).
- Others responsible for providing assurance, such as Internal Audit.

1.2 As a corporate document the Annual Governance Statement should be owned by all senior officers and members of the local authority. A successful statement will support the Council in achieving its statutory obligations and objectives, therefore satisfying the regulations.

2. LEGISLATIVE REQUIREMENTS

2.1 Regulation 3 of the Accounts and Audit (England) Regulations 2015, states:

Responsibility Internal Control

A relevant authority must ensure that it has a sound system of internal control which—

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

2.2 Regulation 6 of the Accounts and Audit (England) Regulations 2015 states:

Review of Internal Control System

(1) A relevant authority must, each financial year—

- (a) Conduct a review of the effectiveness of the system of internal control required by regulation 3; and
- (b) Prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

(a) Consider the findings of the review required by paragraph (1)(a)—

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) Approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—

(i) a committee; or

(ii) members of the authority meeting as a whole.

2.3 The Annual Governance Statement, as required by 2(b) above is appended to this report. The format of the statement follows the guidance given by CIPFA in its document "[delivering good governance addendum.pdf](#)".

2.4 The Council's external auditor, Grant Thornton, reviews the assurance process annually, as part of its work programme. The assurance process must show evidence that the Council has "effective corporate governance arrangements embedded within the authority".

3. Annual Governance Statement 2020/21

3.1 A number of officers have been involved in the production of the Annual Governance Statement (AGS), and they have updated and reviewed the sections relevant to their service area. These officers include the S151 Officer, the Monitoring Officer, the Lead Accountant and the Performance & Improvement Specialist. The Annual Governance Statement has also been reviewed by the Head of the East Kent Audit Partnership.

3.2 This year's AGS includes sections on:

- Changes to governance arrangements of the Council, notably the functions of the Overview & Scrutiny Committee and the political composition of Cabinet. (see section 3.3 of the AGS)
- The impact of the Covid-19 pandemic on governance. The AGS assesses governance in place during 2020/21. (See section 5 of the AGS)
- The established reporting mechanisms and audit outcomes relating to the Housing Service following its return to the Council on 1st October 2020 following the dissolution of East Kent Housing ALMO. (See section 6 of the AGS)
- The Governance arrangements and reporting mechanisms in place for governing the relationship between newly established Otterpool Park LLP and the Council. (See Section 7 of the AGS)

3.3 As part of the review of the council's governance arrangements a number of areas for development have been identified, which are detailed in the action plan for 2021/22, which can be found in Appendix 1 of AGS.

3.4 The Action Plan for 2020/21 has been reviewed and progress against last year's actions is detailed in Appendix 2 of this document.

4. RISK MANAGEMENT ISSUES

4.1 The risk associated with this report are summarised as follows:

| Perceived risk | Seriousness | Likelihood | Preventative Action |
|---|-------------|------------|---|
| The Annual Governance Statement is prepared incorrectly | High | Low | The statement has been reviewed by the council's monitoring officer, with input from the council's finance officer and the council's external auditors, Grant Thornton. |
| The Annual Governance Statement is prepared without involving members | High | Low | The Audit and Governance Committee's Terms of Reference includes responsibility for reviewing the Annual Governance Statement. |
| The action plan contained with the Annual Governance Statement is not carried out | Medium | Low | The action plan is reviewed and monitored regularly throughout the year and actions are regularly reported to the Audit and Governance Committee by the council's Monitoring Officer. |

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (AK)

The council's statutory duties to produce an Annual Governance Statement are set out in the body of the report.

5.2 Finance Officer's comments (CI)

The requirements for sound financial management/reporting are set out in the body of the report. The Annual Governance Statement sets out how the council complies with these requirements.

5.3 Equalities (GE)

No issues arising directly from the report. The council has sound governance arrangements to ensure it complies with all its statutory duties, as set out in the Equality Act 2010.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Cheryl Ireland – Chief Financial Services Officer
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The following background documents have been relied upon in the preparation of this report:

CIPFA Delivering Good Governance in Local Governance: Framework.
CIPFA Delivering Good Governance in Local Governance: Framework. -
Addendum
CIPFA Delivering Good Governance in Local Governance: Guidance Note
for English Authorities

Appendices:

Appendix 1: Annual Governance Statement 2020/21

Appendix 2: Review of the 2020/21 Action Plan for improvement following review of effectiveness of governance arrangements.