

Report to:	Audit and Governance Committee
Date:	9th September 2020
Title:	Annual Governance Statement
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To seek Councillors' approval of the Annual Governance Statement.
Officer recommendation(s):	To comment on and approve the draft Annual Governance Statement
Reasons for recommendations:	To meet the Council's legal requirement to produce an Annual Governance Statement.
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1 Introduction

- 1.1 Corporate governance involves everyone in local government. Two definitions are:

“Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner” – Audit Commission.

“How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” – CIPFA/SOLACE
- 1.2 The Council has a legal requirement to produce an Annual Governance Statement each year in accordance with the Accounts and Audit Regulations, 2015. The statement accompanies the Statutory Statement of Accounts once adopted.
- 1.3 The Audit and Standards Committee is tasked with overseeing the risk management, internal control and reporting to the Council. A key component of this work is to approve the Annual Governance Statement.

2 Governance Framework

- 2.1 The Annual Governance Statement is the report produced at the end of the year on the control environment of the Council. However this is just the end product of the framework of governance operating within the authority throughout the year.
- 2.2 Appendix 1 shows the framework for gathering the assurances and how this is affected by, and affects, the relationship with partners, stakeholders and the community. Following this framework should ensure that the Council meets the principles of corporate governance.
- 2.3 Use of this framework also allows the Council to demonstrate how its assurance gathering process links the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered.
- 2.4 Appendix 2 shows a timetable for the gathering of assurances to produce the Annual Governance Statement. Certain elements are ongoing throughout the year whereas others are specifically produced at the year-end in order to feed directly into the Annual Governance Statement.
- 2.5 It is important to have a defined timeline for the gathering of information on assurance as there is a deadline for the publication of the Statement of Accounts alongside of which the Annual Governance Statement must be published.
- 2.6 Appendix 3 shows the areas covered by the Managers' Assurance Statement which includes coverage of the Bribery Act, Safeguarding, RIPA and frauds over £10k as well as items of general governance. The statements are intended to cover the operational, project and partnership responsibilities of Heads of Service. These can also be used to highlight concerns and actions required to improve governance throughout the Council.
- 2.7 These statements are completed by Directors, Assistant Directors and Heads of Service. The comments made on the statements are considered for inclusion in the Annual Governance Statement.

3 Content of the Annual Governance Statement

- 3.1 The Annual Governance Statement is a document that provides a structure in which to consider the Council's governance arrangements and their effectiveness. This ensures that major control issues are identified and action taken to address these issues.
- 3.2 There are essentially three parts to the statement:
 - A statement of responsibility and purpose
 - A description of the components of the governance framework that exist in the Council
 - The resulting issues and actions arising from those arrangements
- 3.3 The Annual Governance Statement also carries a statement on the adequacy of

the Authority's counter fraud arrangements.

4 The 2019-2020 review

4.1 One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors, Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

4.2 Document retention was also raised in several statements. The work of Internal Audit throughout the year also noted issues with retention of documents. Corporate Management Team considered this and acknowledged that there is an issue both in the culture of the authority and a more technical issue of how to destroy old records. However a project group has been set up to look at document retention and disposal and through this project the council is addressing the issue of document retention in the following areas:

- Documents saved in personal/team folders.
- Documents saved in IT systems (eg. Cx housing management system).
- Documents saved in emails.
- Physical, paper documents stored in council buildings.

The project is one that has been able to progress during the Covid-19 pandemic and the project team will be presenting an update to the project board in August 2020. The cultural/ways of working aspect to document retention is being considered by the project and proposals for how this can be managed will also be considered by the project board. It was therefore agreed that this does not currently constitute a significant issue and should just be noted in the body of the Annual Governance Statement.

4.3 Concerns over the demand on Finance outweighing the capacity of the team were also raised, with some Heads of Service feeling that there was no clear, direct access to an Accountant. This was discussed by the Corporate Management Team and it was agreed that this was an issue but that it was not considered to be a significant governance issue and therefore should just be mentioned in the body of the Annual Governance Statement.

4.4 Last year issues around the new housing software were raised by several respondents and it was agreed that this did constitute a significant governance issue and was reported as such. During the financial year much work has been undertaken to improve the system and the relationship with the provider. A new contract has been agreed and with this an improvement plan put in place that

runs until September. However the Corporate Management Team agreed that until all the issues have been addressed this should remain as a significant governance issue and it is shown in the Annual Governance Statement as such.

- 4.5 Finally, both CIPFA and Deloitte are expecting mention of the impact of the response to the Covid-19 pandemic to be mentioned in the Annual Governance Statement. As lockdown only came into effect in the last week of March the impacts were not felt in that financial year. However, a section has been added to note the councils' response to the pandemic and to flag up the main financial risk due to the depleted income and acknowledgement that government is unlikely to reimburse the councils for the full cost of the response. This will be developed in more detail in the Annual Governance Statement for 2020-21.

5. Managing the Risk of Fraud and Corruption

- 5.1 The CIPFA Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the Council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

6 Financial appraisal

- 6.1 There are no financial implications arising from this report.

7 Legal implications

- 7.1 This report demonstrates compliance with regulation 6 of The Accounts and Audit Regulations 2015. Regulation 6 requires the Council, in reviewing its system of internal control, to prepare an annual governance statement and secure its approval by resolution of the appropriate committee; in the case of EBC, this is the Audit and Governance Committee.

8 Risk management implications

- 8.1 Failure to produce an Annual Governance Statement, and to maintain proper assurance arrangements to support its production, can reduce the likelihood of the Council meeting its objectives, and attract criticism from the Council's stakeholders and the Council's external auditor. The Audit and Governance Committee review of the Annual Governance Statement significantly reduces these risks.

9 Equality analysis

- 9.1 A detailed Equality analysis is not required for this report.

10 Appendices

- Appendix 1 – Governance Framework
- Appendix 2 – Annual Governance Statement Timetable
- Appendix 3 – Managers' Assurance Statement
- Appendix 3 – Annual Governance Statement

11 Background papers

- 11.1 Internal Audit Report for the financial year 2019-2020.