

Report to:	Audit and Standards Committee
Date:	26 July 2021
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 effected 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 This year, extra questions were asked in the Managers' Assurance Statements. These were in respect of the effect of the response to the Covid-19 pandemic. These questioned related to:
- impact on governance arrangements
 - suspended / weakened controls or work-arounds
 - cessation / scaling back of business as usual causing gaps in governance arrangements
 - other issues impacting on governance arrangements
 - challenges caused by changes to working which will continue after the pandemic
- 2.8 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.

3.4 It is important that the Annual Governance Statement is accessible but this has to be balanced by a need to ensure that all relevant information is included. The Annual Governance Statement has therefore been reviewed and much of the information put into a table format to make it easier to find information. Wherever possible, hyperlinks or URLs have been included to link to relevant information. A table has also been added which covers companies and gives details of the council's relationship with these bodies.

4 The 2020-2021 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. As stated at 2.7, this year extra questions were added in respect of the effects of the response to the Covid-19 pandemic. Once completed the responses received are used to inform the governance statement.

4.2 A review of the returned statements highlighted two issues which were raised by several respondents.

- Financial pressures – a few statements raised concerns about the financial pressures caused by depleted income owing to the council's response to Covid-19.
- Adapted controls – some concerns were raised in a few statements around the issues of controls which were adapted to facilitate the council's response to the Covid-19 pandemic.

4.3 Issues Considered by Corporate Management Team

At a meeting of the Corporate Management Team several issues were considered for inclusion in the Annual Governance Statement.

The following were considered to be issues to just be mentioned in the body of the Annual Governance Statement.

- Financial pressures – it is acknowledged that the council has been seriously affected by the depletion of income caused by the response to the Covid-19 pandemic. It is considered that this is not currently a significant governance issue as the council has been, and continues to be, in discussion with the Ministry of Housing, Communities and Local Government. The council has also developed plans to identify and deliver savings.
- Adapted controls – some controls needed to be adapted to allow the council to continue working in new ways as a response to the Covid-19 pandemic. Early on Internal Audit contacted all managers to offer help and advice on adapting controls and managers identified and monitored these without using sight of the need for the control. This issue is therefore not considered to be a significant governance issue.
- Document retention – document retention is still considered an issue. However, a project is ongoing to identify paper documents and arrange necessary destruction and storage. Work has also commenced to delete information held electronically. However, there is still work to be undertaken to fully identify all the electronically held documentation. The Corporate Management Team considered that, with the ongoing work, this is not considered a significant governance issue.

4.4 Consideration was also given to the Housing software which has been noted as a significant governance issue for the past two years. It is recognised that significant progress has been made to resolve these issues. However, some of the problems caused by the issues are still working their way through processes and systems. Although the originating issue has been resolved, the problem caused still affected work in the financial year 2020-21. As this Annual Governance Statement covers 2020-21 it was agreed that the Housing software system should again be shown as a significant governance issue.

4.5 The committee is requested to consider the attached draft Annual Governance Statement (Appendix 4). Once agreed by the committee the Annual Governance Statement will be passed to the Leader of the Council and the Chief Executive to sign off and it will then be published on the council's website.

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 is for noting only and therefore the Legal Services team has not been consulted on the content of it.

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 Standards 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

10.1 Appendix 1 – Governance Framework

10.2 Appendix 2 – Annual Governance Statement Timetable

10.3 Appendix 3 – Managers' Assurance Statement

10.4 Appendix 4 – Annual Governance Statement

11 Background papers

11.1 Internal Audit Report for the financial year 2020-2021.