Audit Committee

27 June 2022

Annual Governance Statement 2021/22

Ward(s): **All**

Portfolios: All

Purpose: Receive, Review and Approve

1.   Aim

1.1   Every Local Authority is required to produce and publish an Annual Governance Statement (AGS) which is informed by a Review of the Effectiveness of the council's System of Internal Control. This is a requirement is set out in Regulation 3 of the Accounts and Audit (England) Regulations 2015 and responsibility is delegated to Audit Committee.

2.   Summary

2.1   This report contains the Annual Governance statement (AGS) for 2021/22 and requires Audit Committee approval.

2.2   The Annual Governance Statement (AGS) was drafted, assurances were evaluated and supporting evidence gathered. The outcome of this process was a conclusion that the effectiveness of the system of internal control is adequate overall and there were no significant governance issues to report.

3.   Recommendations

        Audit Committee are requested to:

3.1   Subject to any required actions arising from Committee's consideration of agenda item 10 (Effectiveness Review of the System of Internal Control) to receive, review and approve the attached Annual Governance Statement which will be reviewed by our External Auditors and published alongside the post-audit Statement of Accounts.

3.2   Note that if there are significant governance matters that arise between this report date and approval of the accounts, then an amended AGS will be brought back for Audit Committee's consideration.

4.   Report detail – know

        Control Environment

 4.1   The Accounts and Audit (England) Regulations 2015 states that the Council:

        1)   Must ensure that it has a sound system of internal control (Regulation 3) 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) Conduct a review of the effectiveness of the system of internal control required by Regulation 3;

3) The findings of this effectiveness review must be considered by a Committee of the Council (Council have delegated this to Audit Committee);

4) The Council must prepare an annual governance statement;

5) The annual governance statement (AGS) must be approved by the Council (Audit Committee) by 30th September 2021. This is also the target date for the accounts to be audited.

4.2 It is anticipated that the post-audit accounts and AGS will be presented to Audit Committee in September, subject to the External Audit process. It is not unusual for a draft AGS to be amended, for example, following review by the relevant Committee. If there is any change to the AGS between the sign off of the draft AGS and publication date, then an amended AGS will be brought back for Audit Committee's consideration.

4.3 Additionally, the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance. This is reported in the Head of Internal Audit Opinion 2020/21 report, which is included elsewhere on tonight's agenda and has informed the Review of the Effectiveness of the System of Internal Control at agenda item 10, and the production of the AGS.

4.4 Councils must produce annual accounts and the AGS in line with the Accounts and Audit Regulations 2015 in a timely fashion and on an annual basis. The Statement is legally required to be signed by the Chief Executive and Lead Member. The AGS was formally approved by both prior to finalisation of this report.

Assurance of Controls

4.5 Governance is the arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

4.6 The governance *framework* is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes. The framework is intended to support the Council in demonstrating good governance. The framework itself is not a statutory requirement, but rather a discretionary code offered to organisations as good practice. It is important to note that the governance statement (which is a statutory requirement) covers all significant corporate systems, processes and controls, spanning the whole range of the authority's activities, including in particular those designed to ensure that:

- The council's policies are implemented in practice;

- Services are delivered efficiently and effectively;
- The council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published performance information are accurate and reliable;
- Human, financial, environmental and other resources are managed efficiently and effectively.

4.7 This report reinforces the protection to the council and its officers in respect of the robustness of the internal control environment and is an integral part of the assurance provided to residents, communities and other stakeholders on the security of the council's activities and operations.

4.8 Effective performance and risk management is key to ensuring an effective system of internal control is maintained. Senior managers can support the Performance Management Framework and Risk Management Strategy, part of the council's internal controls, and the assurance gathering process by ensuring that systems and processes are in place within each directorate, including ensuring directorate plans, project and individual risk registers and risk assessments are in place and regularly reviewed and service complaints are responded to and used to drive improvement. In addition, senior officers within each directorate should promptly implement agreed internal and external audit actions within the timescales agreed.

Strategic Risks

4.9 A key aspect of the system of internal control is the identification of key risks to the organisation and to delivery of its key objectives, and key controls needed to mitigate these risks. Comprehensive, embedded and effective risk management arrangements are fundamental to demonstrating good governance.

5. *Financial information*

5.1 Effective financial management supports delivery of the council's priorities and provides for improved financial stability into the medium and longer term. The council has a comprehensive set of strategies, plans and procedures in place in relation to financial planning and financial risk management that form part of internal controls. Sound management of the finances reduces reputational risk and provides assurance to the external auditors that the council has effective arrangements in place in relation to financial governance.

6. *Reducing Inequalities*

6.1 As stated above, governance covers the arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner. Reducing inequalities is a key part of the council's overarching aim and priorities which have been developed in line with the Marmot Objectives.

7.   Decide

7.1   The Committee must consider whether it is satisfied with the work completed and the Annual Governance Statement.

8.   Respond

8.1   As outlined in 3.2 above, any amendments to the draft AGS will be brought back to the Committee for consideration and approval prior to its finalisation and publication.

9.   **Review**

9.1   As part of the work of Audit Committee it routinely reviews reports regarding Internal Audit, risk management, financial management and performance management, all processes that are part of the internal controls for the council.

Background papers

- Audit and Accounts Regulations 2015
- Review of the Effectiveness of the council's System of Internal Control
- Internal Audit report and Opinion on the adequacies of the Council's control environment
- Various CIPFA Guidance, Local Code of Governance, Various Council documents and reports
- Various External and Internal Audit reports

Author

Vicky Buckley, Head of Finance and Assurance
☎ 652326, ✉ Vicky.buckley@walsall.gov.uk