

Committee report

Committee	AUDIT COMMITTEE
Date	27 July 2020
Title	ANNUAL GOVERNANCE STATEMENT 2019-20
Report of	ASSISTANT CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. This report provides members with details of the statutory requirements under the Accounts and Audit Regulations 2015 to undertake an annual review of the effectiveness of the council's system of internal control and the considerations that members need to take into account when reviewing the content of the review completed for 2019-20
2. The annual governance statement for 2019-20 is located at Appendix 1, together with its own addendum documents (Addendum A: The Isle of Wight Council's governance framework and Addendum B: Self-assessment). Members are now asked to approve the statement in readiness for signing by the leader of the council and chief executive and submission with the annual accounts for 2019-20.

BACKGROUND

3. The council follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as to what the annual governance statement should address. The council's leader and chief executive will be required to sign the final statement before it is published alongside the annual accounts. When making the statement, it is important that any weaknesses are identified, and corrective actions are also developed to address those weaknesses.
4. Members of Audit Committee were circulated the draft annual governance statement for consideration and to highlight any further items or concerns that needed inclusion within the final document.
5. The final annual governance statement for 2019-20 and its associated addendum are now set out at Appendix 1 for further consideration and approval by the committee.

THE COMMITTEE'S ROLE IN RELATION TO THE ANNUAL GOVERNANCE STATEMENT

6. The Audit Committee plays an important part in the process of developing the

council's annual governance statement, which stems from its role and core activities throughout the year, including:

- its understanding of the robustness of the regime of internal control throughout the council because it receives reports from both internal and external auditors;
- its review of the strategic and other risks of the council and the annual report it receives on the council's risk management arrangements;
- receiving regular updates on issues which have been identified previously in reviews of governance;
- receiving reports on the extent of fraud and other irregularity and on the level of whistleblowing activity;
- receiving reports on procurement and treasury management activity;
- receiving an annual opinion report on the adequacy of control operating within the council from the council's head of internal audit
- reviewing the committee's core functions (which is specifically included within the scope of the annual governance statement)

7. The committee is well placed therefore to reach its own assessment of the quality of governance that operates within the council supported by the assessment that has been undertaken by officers.

8. The action plan contained within the annual governance statement aims to address the governance issues highlighted thus far that are considered necessary to contribute to further strengthening the council's corporate governance arrangements

9. **The annual governance statement for 2019/20 - Matters to consider as a result of the coronavirus pandemic**

The CIPFA Better Governance Forum issued a briefing to take account of the impact of coronavirus on the annual governance statement (AGS) which has been used to inform the self-assessment and the AGS.

The AGS assesses governance in place during 2019/20 so the majority of the year will be unaffected by coronavirus. However, coronavirus impacted on governance during March 2020, the impact on governance falls into the following broad categories:

- **Impact on business as usual in the delivery of services**
- **New areas of activity as part of the national response to coronavirus and any governance issues arising, eg**
 - Implementation of new policies and processes
 - Emergency assistance
- **The funding and logistical consequences of delivering the local government response, eg**
 - Changes to council meetings and decision-making arrangements were put on hold for April and May, recommenced virtually as of 1 June 2020. Key decisions made at Gold level would not have involved all members or given opportunity for all members to be involved, even within groups.

- New collaborative arrangements
- Funding challenges - major impact c£10m for the Isle of Wight Council
- **Assessment of the longer-term disruption and consequences arising from the coronavirus pandemic, eg**
 - Some existing projects and programmes have been put on hold
 - New priorities and objectives introduced
 - New risks identified or existing risks escalated

Once the crisis is over the Isle of Wight Council will conduct a review of the lessons to be learned from its response which will form part of the evidence of the annual governance statement for 2020/21.

STRATEGIC CONTEXT

10. Corporate governance has far reaching implications for the effectiveness of the council and as such underpins the effective delivery of all the council's stated priorities. Good governance means the following;
 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.
 - Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - Determining the interventions necessary to optimise the achievement of intended outcomes.
 - Developing the council's capacity, including the capability of its leadership and the individuals within it.
 - Managing risk and performance through robust internal control and strong public financial management.
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

CONSULTATION

11. Internal consultation has taken place in developing the draft statement with service departments who have responsibility for the issues, systems and processes set out in Appendix 1, the chief internal auditor and the council's Corporate Management Team. Further assurance has been sought from a number of staff across the organisation in order to assess, measure and provide an informed view of the council's governance arrangements for consideration by Audit Committee members.

FINANCIAL / BUDGET IMPLICATIONS

12. There are no direct financial implications of the council reviewing its governance arrangements and publishing the annual governance statement itself. However, action plans to address any weaknesses identified could involve extra cost and may in some circumstances be significant. Conversely action plans could also lead to

financial savings being secured. It is considered that all the activities set out in the action plan contained within the annual governance statement can be achieved from within existing resources.

LEGAL IMPLICATIONS

13. The council is required by the Accounts and Audit Regulations 2015 to:

- carry out a review of the effectiveness of its system of internal control.
- have the findings of the review considered by a committee or by members of the authority as a whole.
- approve an annual governance statement on the results of the review in advance of the approval of the statement of accounts.
- ensure that the statement accompanies the council's statement of accounts (when published).

EQUALITY AND DIVERSITY

14. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership. While the review of governance and the statement will cover equality and diversity, and how the council meets its legal obligations in that regard, it is considered that there are no direct implications for the development of the statement itself.

OPTIONS

15. Option 1 – To agree the content of the draft annual governance statement 2019/20.
16. Option 2 – To note the content of the annual governance statement and make recommendations for further matters to be considered in the preparation of the final statement in readiness for publication alongside the annual accounts

RISK MANAGEMENT

17. It is a legal requirement under the Accounts and Audit Regulations 2015 to undertake a review of the effectiveness of the council's corporate governance arrangements and to seek approval of the resulting statement from a committee to enable its publication alongside the council's statement of accounts. Failure to approve the statement, with or without any proposed amendments will mean the council is in breach of its statutory duty.
18. The key risk associated with the council's proposed governance statement is that it does not accurately reflect that the corporate governance arrangements are consistent with the national code of practice and that full consideration has been given to afford the assurance to the committee. This could result in significant weaknesses going unreported and, critically, unaddressed. However, a significant amount of work has been undertaken to assess and review evidence available and which has been subject to senior management review and the process of assurance declarations and oversight by members (especially from the Audit Committee) helps to counter this risk.

RECOMMENDATION

19. Option 1 – To agree the content of the annual governance statement 2019/20

APPENDICES ATTACHED

20. [Appendix 1](#) – Annual Governance Statement 2019-20

Contact Point: Debbie Downer, Strategic Manager Organisational Intelligence ☎ 821000
EXT: 6555 e-mail Debbie.downer@iow.gov.uk

WENDY PERERA
Assistant Chief Executive

CLLR STUART HUTCHISON
*Deputy Leader and
Cabinet Member for Resources*