



Purpose: For Decision

Committee report

AUDIT COMMITTEE

Date	26 JULY 2021
Title	ANNUAL GOVERNANCE STATEMENT 2020-21
Report of	ASSISTANT CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. This report provides councillors 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 councillors need to take into account when reviewing the content of the review completed for 2020-21
2. The annual governance statement for 2020-21 is located at Appendix 1, together with Addendum A: The Isle of Wight Council's governance framework.

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 are 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.

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

4. 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)
5. 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.
6. A draft action plan to address the governance issues highlighted thus far that are considered to contribute to further strengthening the council's corporate governance arrangement has begun to be prepared. This will be fully populated once all the necessary considerations of the committee and other sources of information as part of the governance review have been collated in readiness for final consideration by the Audit Committee in September 2021.
7. The purpose of a draft plan being made available to Audit Committee is to allow a period of consideration to the statement in readiness for preparation of the final statement to be concluded and in readiness for publication alongside the annual accounts.

STRATEGIC CONTEXT

8. 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

9. Internal consultation has taken place in developing the statement using a self-assessment survey. Internal audit designed the survey to assess the service area knowledge and compliance with all aspects of the governance framework. This was completed by directors and service leads from all areas of the council along with those lead 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.

10. Further assurance has been sought from a number of senior staff across the organisation to assess, measure and provide an informed view of the council's governance arrangements and progress against the 2019/20 action plan for consideration by members of the Audit Committee.

FINANCIAL / BUDGET IMPLICATIONS

11. 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

12. 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

13. 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

14. Option 1 – To agree the content of the draft annual governance statement 2020-21.
15. 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

16. RISK MANAGEMENT

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.

17. 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 councillors (especially from the Audit Committee) helps to counter this risk.

RECOMMENDATION

18. Option 1 – To agree the content of the annual governance statement 2020-21

APPENDICES ATTACHED

19. Appendix 1 – Annual Governance Statement 2020-21

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