

**Report of Chief Officer Financial Services**

**Report to Corporate Governance and Audit Committee**

**Date: 23<sup>rd</sup> November 2020**

**Subject: Approval of Annual Governance Statement**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary**

**1. Main issues**

- This report presents the Annual Governance Statement (AGS), prepared in accordance with the Account and Audit Regulations 2015/234 (the Regulations).
- The AGS has been prepared in accordance with proper practices specified by the Accounts and Audit Regulations 2015. Following a review of the arrangements which together comprise our system of internal control, the AGS supports the opinion that, overall, key systems are operating soundly, and that there are no fundamental control weaknesses.
- The interim AGS was published in draft on 6<sup>th</sup> July 2020 to accompany the Statement of Accounts when put on deposit.
- The AGS has been updated and is returned to this Committee for approval prior to publication.

**2. Best Council Plan Implications** (see the [latest version of the Best Council Plan](#))

- The AGS reflects the Council's ambitions, values and the Best Council Plan, together with the systems and processes in place to facilitate the effective exercise of its functions and the achievement of its aims and objectives; ensure the financial and operational management of the authority is effective; and include effective arrangements for the management of risk.

### **3. Resource Implications**

- As above

### **Recommendations**

- a) Corporate Governance and Audit Committee are requested to approve the Annual Governance Statement.

#### **1. Purpose of this report**

- 1.1 This report presents the Annual Governance Statement (AGS), prepared in accordance with the Regulations.

#### **2. Background information**

- 2.1 The Regulations require authorities to conduct a review of the effectiveness of its systems of internal control in accordance with 'proper practices' as set out in CIPFA/SOLACE - Delivering Good Governance in Local Government: Framework (2016 Edition).

#### **3. Main issues**

- 3.1 The AGS has been prepared following the ongoing review of effectiveness of the Council's system of internal control.
- 3.2 Assurance has been drawn, inter-alia, from reports received and considered by Executive Board and this Committee, as well as appropriate enquiries of officers with relevant knowledge and experience in relation to the assurance sought. Sources of assurance are detailed throughout the AGS.
- 3.3 In line with regulations the AGS was published as an interim statement, for a period of six weeks. No questions or comments were received.
- 3.4 In addition the external auditor has considered the interim AGS and confirmed that there are no compliance issues to raise. However, Annex 1 has been amended in response to a suggestion received to show whether each of the 29 actions from 2019 have been delivered and how many remain outstanding. Members will note that twelve actions have been completed and that arrangements have been put in place in response to the remaining seventeen actions which require a more long term or ongoing response. Two of the 2019 key actions are followed up with further actions detailed in the 2020 AGS.
- 3.5 The final statement, attached as Appendix A to this report, has been amended to reflect the way in which the Council's internal control systems and processes have responded to, or been amended as a result of the ongoing COVID-19 pandemic, and the Council's emergency response and recovery arrangements. Amendments ensure that the statement is up to date in respect of the following matters:
  - Section A, Paragraph 4 – summary of response to 2019 key actions included;
  - Section B2, paragraph 7 –outbreak control plans have been developed and are being implemented;
  - Section B2, paragraph 19 –up to date position in respect of devolution;

- Section B3, paragraph 9 – review of the People Strategy has been completed;
- Section B3, paragraph 28 – confirmation that disproportionate or differential impact on equality due to Covid-19 has informed our arrangements;
- Section C1, paragraph 11 – Best Council Plan reviewed and revised prior to launch to reflect changed context;
- Section D3, paragraph 30 - 32 – confirmation that all Access 2003 databases have been uplifted to Access 2010, and that the Council's Public Sector Network certification remains in place;
- Section F2, paragraph 10 – September refresh of Medium Term Financial Strategy, and receipt of savings plan to incorporate financial impact of Covid-19 on financial planning;
- Section F2, paragraph 17 – internal audit review of financial controls to incorporate impact of Covid-19 on budget setting and monitoring
- Section F3, paragraph 22 –financial health monitoring provides focus on the impact of Covid-19 on the Council's financial position;
- Section F5, paragraph 37 & 38 – the reformatted Annual Standards Report was received in July 2020;
- Section G1, paragraph 4 – confirmation that Executive Board has maintained political oversight throughout Covid-19 pandemic;
- Section H2, paragraph 27 - planned internal audit review of community cohesion arrangements has been deferred to the 2020/21 audit plan

#### Oversight of Key Actions

- 3.6 Members will note that Annex 2 to the AGS sets out a record of the key actions identified in the final statement, and provides for each details of the accountable Director and lead officer. Attached as Appendix B to this report is the action plan which has been developed to support the committee in monitoring the achievement of these key actions. The Committee may wish to invite officers to provide verbal or written updates in respect of progress against the action plan at future meetings.

#### Looking forward

- 3.7 In commenting on the interim AGS the external auditors reflected on the length of the statement. Officers are conscious that the AGS has become a lengthy document and will be undertaking a review of best practice prior to compilation of the 2021 AGS with a view to providing a document which provides a concise and accessible overview of the Council's arrangements for internal control.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 The AGS, and the key actions proposed for 2020, have been the subject of consultation with the Corporate Leadership Team and the Best Council Leadership Team.
- 4.1.2 Lead officers for each of the key actions identified for the coming year have been consulted, and provided information contained in the overarching action plan to address the key actions proposed.

## **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 Assurance in relation to the presence and monitoring of appropriate systems of internal control in relation to equality and diversity / cohesion and integration are set out in the AGS.

## **4.3 Council policies and the Best Council Plan**

- 4.3.1 The AGS reflects the Council's ambitions, values and the Best Council Plan, together with the systems and processes in place to facilitate the effective exercise of its functions and the achievement of its aims and objectives; ensure the financial and operational management of the authority is effective; and include effective arrangements for the management of risk.

### Climate Emergency

- 4.3.2 The Council's declaration of the climate emergency and the systems of internal control adopted in light of this declaration are set out in the AGS.

## **4.4 Resources, procurement and value for money**

- 4.4.1 Assurance in relation to the presence and monitoring of appropriate systems of internal control in relation to resources are set out in the AGS.

## **4.5 Legal implications, access to information, and call-in**

- 4.5.1 Regulation 6 of the Accounts and Audit Regulations 2015 require that each financial year the authority conducts a review of the effectiveness of its system of internal control, and prepares an annual governance statement.
- 4.5.2 The regulations also require that the council prepares a statement of accounts, which must be published for a period of exercise of public rights prior to final approval. Regulation 15 requires that the AGS is published alongside the statement of accounts for this period.
- 4.5.3 The regulations also require that the AGS is considered and approved by members of the authority. In Leeds this role is delegated to Corporate Governance and Audit Committee.
- 4.5.4 The usual timetable for publication and approval of accounts set out in the Regulations, was amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020/404. The approved accounts and AGS must be published by 30<sup>th</sup> November 2020.

## **4.6 Risk management**

- 4.6.1 The AGS sets out assurances received throughout the year that the Council has in place robust systems and processes to identify and monitor risk.

## **5. Recommendations**

- 5.1 Corporate Governance and Audit Committee are requested to approve the Annual Governance Statement.

## **6. Background documents<sup>1</sup>**

6.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.