

22 June 2021

Report of	Assistant Director of Corporate & Improvement Services	Author	Hayley McGrath 508902
Title	Review of the Governance Framework and Draft Annual Governance Statement		
Wards affected	Not applicable		

1.0 Executive Summary

This report relates to the Council's duty to produce an Annual Governance Statement, that reviews the effectiveness of the Council's internal control systems for the 2020/2021 financial year, which is required for the 2020/2021 Statement of Accounts.

2.0 Recommended Decisions

- 2.1 To consider and note the review of the Council's compliance with the seven principles of good governance (CIPFA International Framework: Good Governance in the Public Sector 2014) including the review of effectiveness of the internal control arrangements.
- 2.2 To approve the Annual Governance Statement for 2020/21.

3.0 Reasons for Recommended Decisions

- 3.1 Regulation 3 of the Accounts and Audit Regulations 2015 states that:
'A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.'
- 3.2 Regulations 6(1) and (2) go on to place a requirement on the Council to conduct a review of the effectiveness of its system of internal control at least once a year, and to report the findings to this committee. Following the review, the committee must approve an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.
- 3.3 The review of the system of internal control assesses the Council's compliance with the seven principals of good corporate governance, set out in the 2016 CIPFA / SOLACE guidance – Delivering Good Governance in Local Government, and the effectiveness of the policies and procedures that make up the Council's governance framework. The process also produces a management action plan to address any identified weaknesses.
- 3.4 CIPFA's proper practice requires the Chief Executive and the Leader of the Council to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the authority's governance and control arrangements.

4.0 Alternative Options

- 4.1 None.

5.0 Background Information

5.1 Colchester Borough Council has adopted a Local Code of Corporate Governance based on the 'Delivering Good Governance in Local Government' guidance. The purpose of the AGS is to review compliance with the seven principles of good governance outlined in the guidance and the Council's Local Code of Corporate Governance.

5.2 The seven principles of Corporate Governance are:

- Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle 2: Ensuring openness and comprehensive stakeholder engagement.
- Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle 5: Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle 6: Managing risks and performance through robust internal control and strong public financial management.
- Principle 7: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5.3 As part of the governance review the Council has to demonstrate the effectiveness of its internal control arrangements, and this is primarily evidenced by the Head of Internal Audit Report, produced by the Council's Internal Audit provider, TIAA. A copy of the report is available as a background paper. The key statement from this report is detailed below: -

From the Internal Audit work undertaken in compliance with the PSIAS (Public Sector Internal Audit Standards) in 2020/21, **TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Council has reasonable and effective risk management, control and governance processes in place.**

5.4 A key consideration for this year's opinion, to ensure compliance with the Public Sector Internal Audit Standards, has been the impact of the pandemic on the ability of the auditor to undertake sufficient internal audit work to gain overall assurance of the Council's systems. The report states:

'There has been minimal or no impact on the delivery of the internal audit work for 2020/21 as a result of the COVID-19 pandemic. Whilst there was an impact on delivery of the work in the early part of the year during the initial lockdown, we were able to deliver the planned work by year-end (or shortly thereafter).'

5.5 In addition, the further steps taken in producing the AGS have been as follows: -

- A full review of the Council's code of corporate governance including detailed assessment of evidence supporting each principle.
- Assurance assessments relating to key areas of governance and control have been completed by senior management.
- Consideration of risk management issues.
- Detailed follow up of issues with relevant managers to provide evidence of controls in place.
- Review of the action plan from the Annual Governance Statement for 2019/20.
- Review of the implementation of recommendations made by Internal Audit.
- Review of issues raised in External Audit reports, principally the Annual Audit Letter.

- Assessment that the financial arrangements comply with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

- 5.6 The AGS for 2020/21 is attached at appendix 1. The format of the statement takes into account both the mandatory pro-forma contained within CIPFA's proper practice guidance, together with subsequent examples of best practice.
- 5.7 The AGS includes a table showing significant internal control issues and planned actions to address these. A more detailed action plan is set out within this report at Appendix 2. The AGS should be an ongoing assessment and therefore a review of the progress against the recommendations will be reported to the Committee later in the financial year.

6.0 Strategic Plan Implications

- 6.1 The achievement of the strategic plan requires a sound system of governance to ensure the effective delivery of services. Therefore, improving on existing governance arrangements will help to ensure that the strategic plan objectives can be achieved.

7.0 Risk Management Implications

- 7.1 Risk Management is a fundamental part of the Governance process and a failure to implement the action plan may have an effect on the ability of the Council to control its risks. Therefore, the actions should be incorporated into the risk management process.

8.0 Environmental and Sustainability Implications

- 8.1 There are no environmental or sustainability implications as a result of this report.

9.0 Other Standard References

- 9.1 There are no direct Publicity, Financial, Consultation, Equality, Diversity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Appendices

Appendix 1 – The Annual Governance Statement for 2020/21

Appendix 2 – The Annual Governance Statement Action Plan for 2021/22

Background Papers

Head of Internal Audit report for the year ended 31 March 2021.