

THE ANNUAL GOVERNANCE STATEMENT

2021/22

Date: 20 April 2022

Agenda Item: _____

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Key Decision? **NO**

Local Ward Members All Wards



AUDIT AND MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires that 'a relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3, and prepare (and approve) an Annual Governance Statement'.
- 1.2 Best practice (Chartered Institute of Public Finance and Accountancy's (CIPFA) publication 'Audit Committees Practical Guidance for Local Authorities and Police'), recommends that the review of the internal control system and the production of the Annual Governance Statement be reviewed and subsequently endorsed by an appropriate committee. It further recommends that this be a core function carried out by Audit Committees.
- 1.3 Accordingly, the Annual Governance Statement for 2021/22 is attached at **APPENDIX A** together with a Local Code of Corporate Governance for 2022/23 at **APPENDIX B**.

2. Recommendations

- 2.1 It is recommended that the Audit and Member Standards Committee reviews and approves the Draft Annual Governance Statement that will form part of the 2021/22 Statement of Accounts (**APPENDIX A**).
- 2.2 It is recommended that the Committee delegates authority to the Chair of the Committee and the Governance Manager to make further minor amendments to the Annual Governance Statement prior to the inclusion of the final version in the Statement of Accounts.
- 2.3 It is recommended that the Local Code of Corporate Governance for 2022/23 be approved (**APPENDIX B**).

3. Background

- 3.1 The Council is responsible for ensuring that its business is conducted in accordance with legal requirements and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 3.2 The Council has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.3 In discharging this responsibility, Lichfield District Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including the management of risk.
- 3.4 The governance framework 'Delivering Good Governance in Local Government' was produced during 2016 by CIPFA/SOLACE (Society of Local Authority Chief Executives and Senior Managers). The framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the principles contained within the framework. The seven core principles are as follows:
- 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 the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.5 The Annual Governance Statement should therefore be focused on outcomes and value for money and relate to the authority's vision for the area. It is based on the core principles above which form the basis of the Local Code of Governance 2021/22 as previously approved by Audit and Member Standards Committee.
- 3.6 The document enables the authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.

Review of the System of Internal Control

- 3.7 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Its role is to provide independent assurance to the council that systems are in place and operating effectively.

3.8 In order to demonstrate the effectiveness of internal control, Internal Audit have completed the following actions all of which have been reported to Audit and Member Standards Committee:

- Carrying out a self-assessment of compliance with the Public Sector Internal Audit Standards (PSIAS)
- Completing an on-going assessment to identify and evaluate risks (this forms the Audit Plan)
- Reporting upon performance indicators collected in respect of the Internal Audit Service
- Undertaking a self-assessment of the effectiveness of the Audit and Member Standards Committee
- Having in place a Quality Assurance and Improvement Programme
- Undertaking an annual self-assessment against the CIPFA Role of the Head of Internal Audit.

Process for the Completion of the Annual Governance Statement

3.9 Evidence is collected from a number of sources:

- The views of Internal Audit, reported to Audit and Member Standards Committee through regular progress reports, and the Annual Internal Audit Opinion.
- An annual review of the effectiveness of Internal Audit.
- The views of our external auditors, regularly reported to Audit and Member Standards Committee through regular progress reports and the Annual Auditors' Report.
- The activities and operations of Council Service Areas whose Heads provide written assurance statements using an Internal Control Checklist.
- The views of Members (Chairmen and Vice Chairmen and Leader of the Minority Group) using a Members' Questionnaire.
- The Risk Management Process, particularly the Strategic Risk Register.
- Performance information is reported to Cabinet and Overview and Scrutiny Committees.

3.10 Based on this information an early draft Statement is produced and circulated to key officers (including the S151 Officer, Monitoring Officer and Internal Audit Manager) for comment.

3.11 Any comments are then incorporated into the document. The Statement is then reviewed by Leadership Team.

3.12 The final draft version of the Annual Governance Statement for 2021/22 is now presented to Audit and Member Standards Committee for approval at **APPENDIX A**.

3.14 The final Statement is signed by the Leader and Chief Executive and ultimately forms part of the Statement of Accounts.

3.15 The Annual Governance Statement can be updated up to the date of the signing of the Statement of Accounts.

Alternative Options	The alternative option is not to produce an Annual Governance Statement for 2021/22 which would result in the Council being in breach of its statutory obligations.
Consultation	Consultation has taken place with Leadership Team, S151 Officer, Monitoring Officer and Internal Audit.

Financial Implications	There are no direct financial implications from the production of the AGS.
Approved by Section 151 Officer	Yes/no*

Legal Implications	There are no specific legal implications.
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	The Annual Governance Statement has some connection to all areas within the Strategic Plan.
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Equality, Diversity and Human Rights Implications	There are no equality, diversity and human rights implications in approving the AGS.
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Crime & Safety Issues	There are no safety implications.
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Environmental Impact	There is no environmental impact.
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GDPR / Privacy Impact Assessment	It has not been necessary to undertake a Privacy Impact Assessment.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The Annual Governance Statement is not produced in line with best practice, the CIPFA code and IFRS.	Green	The Statement is produced in line with best practice, the CIPFA code and IFRS. It will form part of the Statement of Accounts that is audited by our external auditors.	Green.
B				
C				
D				
E				

	Background documents Any previous reports or decisions linked to this item
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	Relevant web links Any links for background information which may be useful to understand the context of the report
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