

## GOVERNANCE & AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 2 June 2021
<b>Report Subject</b>	Annual Governance Statement 2020/21
<b>Report Author</b>	Chief Officer (Governance)

### EXECUTIVE SUMMARY

Each financial year the Council is required to produce an Annual Governance Statement (AGS) as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance, in securing good governance and managing its risks.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issue detailed guidance note on the preparation and contents of an AGS – 'Delivering Good Governance in Local Government: Guidance notes for Welsh authorities' (December 2016). The AGS is based on the seven core principles of governance from that guidance note. It is good practice for the AGS to be presented separately from the final accounts to enable it to be given more detailed consideration.

Members had expressed their concern that in previous years the document originally produced was insufficiently accessible and lacked Member input. By contrast this Annual Governance Statement has been prepared following a workshop with members of the Governance & Audit Committee, which has resulted in the document being made shorter and the language simpler.

The Member workshop also resulted in a recommendation that for future Annual Governance Statements, every Committee Chair should be invited to contribute their views on governance. For the current year, views had only been sought from the five Overview & Scrutiny Chairs, as had been the practice for several years.

### RECOMMENDATIONS

1	That the Committee review the Annual Governance Statement 2020/21 to be attached to the Statement of Accounts and recommended to Council for adoption.
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2	That the Committee notes that for the next Annual Governance statement, views on governance will be sought from all Committee Chairs.
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## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE ANNUAL GOVERNANCE STATEMENT</b>
1.01	Under the Accounts and Audit (Wales) Regulations 2018 each local authority must ensure it has a sound system of internal control to ensure good governance and manage risks. Each year they must conduct a review of the effectiveness of the system and prepare an Annual Governance Statement (AGS). The review must be considered and the AGS approved by a Committee or Full Council.
1.02	The AGS accompanies the financial statements but is not part of them. As such it is not part of the statement on which the external auditors' opinion is given. However, the auditors review the governance statement to confirm it is consistent with the audited financial statements and other information of which they are aware.
1.03	The preparation of the AGS has been coordinated by the Corporate Governance Working Group (CGWG) which has reported to the Chief Executive, the Monitoring Officer and the Section 151 Officer on its work.
1.04	<p>The working group continued this year with the new format of the report - keeping it aligned to the revised seven core CIPFA/SOLACE principles. These are as follows:</p> <ul style="list-style-type: none"> <li>• Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;</li> <li>• Principle B - Ensuring openness and comprehensive stakeholder engagement;</li> <li>• Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits;</li> <li>• Principle D- Determining the interventions necessary to optimise the achievement of the intended outcomes;</li> <li>• Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it;</li> <li>• Principle F - Managing risks and performance through robust internal control and strong public financial management;</li> <li>• Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</li> </ul>
1.05	It is this set of principles on which the assessment questionnaires and the resultant final draft governance statement is based. With regard to Principle E, Members asked that the term 'entity' not be used. In the text, it has been changed to 'organisation'.

1.06	<p>The process has been:</p> <ul style="list-style-type: none"> <li>i) Self-assessment questionnaire reviewed by Corporate Governance Working Group members, with challenge provided by statutory officers;</li> <li>ii) Overview and Scrutiny Committee Chair's questionnaires;</li> <li>iii) Outstanding 'red' (major) risks contained within the Council Plan 2019/20 end of year report;</li> <li>iv) The Governance &amp; Audit Committee Member Challenge session held on 11<sup>th</sup> May;</li> <li>v) Red / limited assurance Internal Audit reports issued during the year. The areas for improvement identified as part of the self-assessment all fall in the categories where there is either a need to improve further or there has been an increase in the significance of the respective risk issue.</li> </ul>
1.07	<p>A commitment had previously been given to involve Members of what was then the Audit Committee in the preparation of the AGS. The 2020 lockdown at the start of the Covid pandemic militated against this happening for the 2019/20 AGS. At the November meeting of the Committee, five Members volunteered to participate in the Challenge Session.</p>
1.08	<p>The format of the Annual Governance Statement was discussed during the Governance &amp; Audit Committee Member challenge session, which has resulted in the document being made shorter and the language simpler. Members had expressed their concern that the document originally produced was insufficiently accessible</p>
1.09	<p>It was also agreed that for future years:</p> <ul style="list-style-type: none"> <li>• all Members of the Governance &amp; Audit Committee should be involved in the AGS Challenge session;</li> <li>• All Committee Chairs be requested to complete an Annual Governance Statement questionnaire, rather than this being confined to Overview &amp; Scrutiny Chairs.</li> </ul>
1.10	<p>Progress against mitigating actions against governance issues identified in the Annual Governance Statement last year has also been included. Where actions have been closed this has been noted within the document.</p>
1.11	<p>The Governance &amp; Audit Committee will receive a mid-year report on progress against the areas for improvement.</p>
1.12	<p>To shorten and simplify the Annual Governance Statement, it has been divided into two parts: a framework document, which explains the process and the AGS for 2020/21 itself.</p>
<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>There are no direct resource implications related to this report.</p>

<b>3.00</b>	<b>RISK MANAGEMENT</b>
3.01	The Annual Governance Statement lists all the significant governance issues arising from the self-assessment along with any outstanding 'red' (major) risks contained within the Council Plan end of year report. The Statement also describes actions taken against the governance issues reported in last year's Annual Governance Statement.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	The Annual Governance Statement has been produced using information from all Statutory and Chief Officers, Service Managers, Chairs of all Overview and Scrutiny Committees and those Members of the Governance & Audit Committee who took part in the challenge session.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - 2020/21 Annual Governance Statement Part 1 Appendix 2 - 2020/21 Annual Governance Statement Part 2

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	1. Report of the Chief Executive to the Audit Committee, 23 <sup>rd</sup> July 2020 and resultant minute. 2. Report of the Chief Officer (Governance) to the Audit Committee, 18 <sup>th</sup> November 2020 and resultant minute.

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<p><b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager  <b>Telephone:</b> 01352 702231  <b>E-mail:</b> <a href="mailto:Lisa.brownbill@flintshire.gov.uk">Lisa.brownbill@flintshire.gov.uk</a></p> <p><b>Contact Officer:</b> Robert Robins, Head of Democratic Services  <b>Telephone:</b> (01352) 702320  <b>E-mail:</b> <a href="mailto:robert.robins@flintshire.gov.uk">robert.robins@flintshire.gov.uk</a></p>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<b>Corporate Governance:</b> the system by which Local Authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.

**Risk Management:** the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency or likelihood of risk events occurring (wherever this is possible) and minimise the consequences if they occur. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.

**Financial Accounts / Statements:** The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.

**Wales Audit Office:** works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.