

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 18 <sup>th</sup> November 2020
<b>Report Subject</b>	Approach to the 2020/21 Annual Governance Statement
<b>Report Author</b>	Chief Officer (Governance)
<b>Type of Report</b>	Operational

### 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, and fulfils the requirements of the Accounts and Audit (Wales) Regulations 2018.

The AGS is based on the seven core principles of governance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance note on the preparation and contents of an AGS – ‘Delivering Good Governance in Local Government: Guidance notes for Welsh authorities’ (December 2016).

When the Committee considered the 2019/20 Annual Governance statement, at its July 2020 meeting, reference was made to the intended approach to the AGS for 2019/20, which due to the Covid 19 emergency and subsequent lock down was not possible.

We have now have arrangements in place for remote attendance meetings (RAM) utilising Cisco Webex video technology, which enable members of the Audit Committee to participate as an integral part of the 2020/21 process.

It should be recognised from the outset that the AGS for 2020/21 will look different from its predecessors. The enforced cessation of the formal governance process through democratic meetings in March, the interim governance arrangements that were put in place during the Response Phase and how the Council has since sought to reinstate democratic oversight will feature heavily.

This report sets out, for Audit Committee Members consideration, how they might be involved in the 2020/21 Annual Governance Statement process and thus take greater assurance from it.

## RECOMMENDATIONS

1	That the Committee considers and endorses the proposed approach for the involvement of Audit Committee Members in the Annual governance statement process.
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## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE PROPOSED APPROACH TO THE 2020/21 ANNUAL GOVERNANCE STATEMENT</b>
1.01	<p>The 2019/20 Annual Governance Statement which was endorsed by the Committee at its July meeting is attached as appendix 1. At the request of the Committee, the following was included:</p> <p><i>For 2019/20, It had been our intention to have a formal contribution to the Annual Governance Statement (AGS) from the Members of the Audit Committee. This would have taken the form of a questionnaire (similar to that currently used for the Overview &amp; Scrutiny chairs). There would then have been a ‘challenge’ workshop, where the draft statement would be submitted to ensure that the key themes within the CIPFA framework have received appropriate consideration and to highlight those areas where we think we are strong and where more work is needed. Audit Committee members would have been able to comment and ask questions. However, the Covid 19 emergency and subsequent lock down meant this innovation was not possible. The greater involvement of Audit Committee Members will be built into in the 2020/21 Annual Governance Statement process.</i></p>
1.02	For the 2020/21 edition, the AGS will look different, as it will need to concentrate on the Council’s response to the emergency, how the Council’s risks have been managed during it, the impact that this had on the democratic process and the change in emphasis to the work of Internal Audit. This need is reflected in the Audit Wales Interim Assurance Letter, dated 28 <sup>th</sup> August, which is attached as appendix 2.
1.03	Whilst face to face meetings are still not possible, using video conferencing it will be possible to include members in the process of drawing up the AGS. Members of the Committee will be asked to complete a questionnaire on the adequacy of internal controls and there will be a challenge workshop to review the overall responses. This will take place during quarter 4.
1.04	<p>At the workshop the members will be asked to consider the following:</p> <ul style="list-style-type: none"> <li>• The seven governance principles (below) and how those are being addressed;</li> <li>• The risk identification - are the red risks identified by officers the ‘right’ risks from a members’ perspective. How would the views of individual members on this differ?</li> </ul>

	<ul style="list-style-type: none"> <li>• Are there other risks, or other governance issues which Members feel should be raised and examined as part of this process?</li> <li>• Is the assurance level adequate?</li> <li>•</li> </ul>
1.05	The Corporate Working Group of officers start their work on the 2020/21 AGS in early 2021. It is proposed therefore to hold the 'Member Challenge' workshop with members of the Audit Committee in March or April.
1.06	<p>The seven governance principles against which all of the contents of the Annual Governance statement should be measured are as follows:</p> <p>A. Core principle: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;</p> <p>B. Core principle: Ensuring openness and comprehensive stakeholder engagement;</p> <p>C. Core principle: Defining outcomes in terms of sustainable economic, social and environmental benefits;</p> <p>D. Core principle: Determining the interventions necessary to optimise the achievements of the intended outcomes;</p> <p>E. Core principle: Developing the entity's capacity, including the capability of its leadership and the individuals within it;</p> <p>F. Core principle: Managing risks and performance through robust internal control and strong financial management; and</p> <p>G. Core principle: Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly from this report.

<b>3.00</b>	<b>RISK MANAGEMENT</b>
3.01	The main risk is in not reviewing the Annual Governance Statement, which the Council is required to produce as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance, and fulfils the requirements of the Accounts and Audit (Wales) Regulations 2018.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	This report has been produced to initiate consultation with Members of the Audit Committee on the 2020/21 Annual Governance Statement.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 - 2019/20 Annual Governance Statement</p> <p>Appendix 2 - Audit Wales Interim Assurance Letter, 28<sup>th</sup> August 2020</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	AGS 2019/20 – attached. Report of the Chief Executive to the Audit Committee July 2020 and resultant minute.

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<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>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
	<p><b>Annual Governance Statement (AGS)</b> This explains how the Council has complied with its Code of Corporate Governance, and fulfils the requirements of the Accounts and Audit (Wales) Regulations 2018.</p> <p><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.</p> <p>It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Wales Audit Office:</b> 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.</p>