



CORPORATE GOVERNANCE COMMITTEE – 24 JULY 2020

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE CHIEF EXECUTIVE

DRAFT ANNUAL GOVERNANCE STATEMENT - 2019/20

Purpose of the Report

1. The purpose of this report is to:
 - (a) Outline the background and approach taken to produce the County Council's 2019/20 draft Annual Governance Statement (AGS);
 - (b) Present the draft AGS for comment by the Committee prior to sign off by the Chief Executive and Leader of the Council.

Background

2. Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.
3. In anticipation of the potential disruption to relevant authorities caused by the spread of coronavirus (COVID -19), The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the 2015 Regulations to extend the deadlines for relevant authorities to publish and make available for public inspection, their annual accounts and supporting documents in relation to the financial year beginning on 1st April 2019.

The Regulations stipulate that the County Council publishes its draft Statement of Accounts and draft AGS by no later than 31 August 2020. Therefore, the draft AGS will be considered by this Committee and published with the Draft Statement of Accounts in July 2020. The final AGS will accompany the published accounts which is scheduled for November 2020.

4. 'Delivering Good Governance in Local Government: Framework' (the Framework), sets the standard for local authority governance in the UK. The preparation and publication of an AGS in accordance with the Framework fulfils the statutory requirement.

5. The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.
6. The AGS encompasses the governance systems applied in both the Authority and any significant group entities e.g. ESPO, East Midlands Shared Services (EMSS) during the financial year being reported. Commercial and collaborative arrangements that the Council is involved in are also reported to provide a fuller picture including assurances.
7. To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework and that the conclusions and future challenges are appropriate, The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance requires high level input from the Committee into the AGS. The draft 2019/20 AGS is attached as an Appendix and any comments by the Committee will be duly considered and incorporated as appropriate.
8. The draft AGS statement has already been considered by a senior management group comprising of:
 - Director of Law & Governance (the Council's Statutory Monitoring Officer)
 - Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
 - Assistant Director – Corporate Services
 - Assistant Director – Strategic Finance and Property
 - Assistant Chief Executive
 - Head of Democratic Services
 - Head of Internal Audit and Assurance Services
 - Members of the Corporate Management Team.

Approach

9. The review of the effectiveness of the County Council's system of internal control and overall corporate governance arrangements requires the sources of assurance, which the Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
10. The Public Sector Internal Audit Standards (PSIAS) allows the Head of Internal Audit and Assurance Service to assist management in drafting the AGS. The process followed as explained below, has not changed significantly from the previous year.
11. The Framework requires local authorities to review their arrangements against their Local Code of Corporate Governance (essentially refers to the governance structure in place). The Council's Local Code of Governance was revised and updated during 2019 and was approved by the County Council at its meeting on 25 September 2019.
12. To ensure the AGS represents an accurate picture of the governance arrangements for the whole Council, each Director was required to complete a 'self-assessment' designed to provide details of the measures

in place (systems, process, documents etc.) within their departments during the financial year 2019/20, to ensure conformance (or otherwise) to the Framework. The self-assessment also allowed for the recognition and recording of areas where developments are required.

13. The departmental self-assessments required a corresponding score to be given reflecting the department's positions regarding practice, standards and quality. This is a gauge of effectiveness. The application of a more quantitative approach to assessing compliance against the principles contained in the Framework allows the Committee and public at large to obtain necessary assurance that the Council operates within an adequate internal control environment, thus complying with the seven core principles and best practice.
14. A number of Corporate Assurance Statements were also completed to gain an overall organisational perspective of processes in place as described by the seven core principles. These statements also allowed for the recognition and recording of areas where developments were required.
15. The completed statements were analysed along with various other sources of evidence to determine whether there are any significant governance issues that should be reported in the AGS. Other sources include:
 - a. Reports provided by internal and external audit and other assurance sources and the implications of these reports for the overall governance of the Council;
 - b. The Head of Internal Audit Service's annual opinion on the overall adequacy and effectiveness of the Authority's control environment (its framework of governance, risk management and internal control arrangements);
 - c. Evaluation of any negative media articles.
16. The AGS assesses governance arrangements in place during 2019/20, and since the self-assessments were completed in early March 2020, the majority of the year was unaffected by the COVID-19 national emergency.

However, COVID-19 has impacted the Council and its services since. The impact of COVID-19 on the Council is fully detailed in Section 7 of the draft AGS. This includes the Council's response to the local Leicester lockdown which was announced on 29 June 2020. Any significant future Covid-19 developments will be reported in an appendix to the AGS up until the time it is finalised and published (see paragraph 19 and recommendation 1c).

CIPFA outlined in a briefing (7 April 2020) that authorities also need to ensure that the AGS is current at the time of publication, so it is essential that the AGS also reflects the impact on governance. This could also include the process of reviewing lessons learned from its response which could be considered as a suitable area for inclusion as one of the organisation's significant governance issues – refer to paragraph 18 for more details.

Outcome of the 2019/20 review of the Governance Framework

17. The County Council has defined 'Significant Governance Issues' as those that:

- a. Seriously prejudice or prevent achievement of a principal objective of the authority;
- b. Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in the significant diversion of resources from another aspect of the business;
- c. Have led to a material impact on the accounts;
- d. The Corporate Governance Committee advises should be considered as a significant issue for reporting in the AGS;
- e. The Head of Internal Audit Service reports on as significant in the annual opinion on the internal control environment;
- f. Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- g. Have resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer;
- h. The issue has resulted in a legal breach or prompts intervention from a regulator.

18. During their review of the 2019/20 draft AGS; the senior management group determined that **there were two significant governance issues that require reporting in 2019/20 – refer to section 8 of the Appendix for more details**. These are:

- The COVID-19 impacts on the MTFS (Medium-Term Financial Strategy) - affected by definitions a) and b) of paragraph 17 above.
- Special educational needs and disability (SEND) complaints arising out of delays in issuing Education, Health and Care Plans (EHCPs) – affected by definition h) of paragraph 17 above.

The self-assessment process has confirmed that there is strong evidence of good governance. Nevertheless, further improvements to governance are planned in relation to the key challenges facing the Council in 2020/21 and throughout the timespan of the current MTFS. The senior management group has determined that progress on the development areas identified against each Principle of the Framework (refer to the Appendix within the AGS page 16 onwards) should be the responsibility of designated Directors and Heads of Service during 2020/21.

Note: Follow up on progressing the implementation of 2018/19 developments was undertaken in November 2019. Any 2018/19 developments that were not carried forward to 2019/20 or reported through the Corporate Risk Register process will continue to be monitored.

Similarly, the group determined that those areas listed in the Future Challenges - Section 9 will be subject to scrutiny through existing reporting channels.

19. The Code of Practice on Local Authority Accounting in the UK 2019/20 (the Code) states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies.

However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported. Therefore, in the event of the above occurring, the AGS presented as in the Appendix would change at the time of its final publication.

20. Approval and ownership of the AGS has been reflected at corporate level and the statement will be signed on behalf of the Council by the Chief Executive and Leader of the Council and published on the County Council's website.

Recommendations

21. The Committee is requested to:
- a. Consider the draft AGS (Appendix) and indicate whether it is consistent with the Committee's own perspective on internal control within the Authority;
 - b. Note the two areas identified as significant governance issues in the draft AGS;
 - c. Note that the AGS, which may be subject to such changes as are required by the Code of Practice on Local Authority Accounting, has been prepared in accordance with best practice.

Resource Implications

22. None.

Equality and Human Rights Implications

23. None.

Background Papers

CIPFA/SOLACE: Delivering Good Governance in Local Government: Framework (2016, 2012 and 2007)

Circulation Under the Local Issues Alert procedure

None

Officers to Contact

Lauren Haslam, Director of Law and Governance
Tel : 0116 305 6240
Email : lauren.haslam@leics.gov.uk

Chris Tambini, Director of Corporate Resources
Tel : 0116 305 6199
Email : chris.tambini@leics.gov.uk

Mo Seedat, Head of Democratic Services
Tel : 0116 305 6037
Email mo.seedat@leics.gov.uk

Tom Purnell, Assistant Chief Executive
Tel : 0116 305 7019
Email Tom.Purnell@leics.gov.uk

Neil Jones, Head of Internal Audit and Assurance Service
Tel : 0116 305 7629
Email : neil.jones@leics.gov.uk

List of Appendices

Appendix – Draft Annual Governance Statement 2019/20