

**ESPO MANAGEMENT COMMITTEE – 16 SEPTEMBER 2020**

**DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20**

**JOINT REPORT OF THE DIRECTOR AND CONSORTIUM TREASURER**

**Purpose of Report**

1. This report sets out the Annual Governance Statement (AGS) for the financial year 2019/20.
2. Traditionally the draft Statement of Accounts is presented at the same time as the AGS. However, due to COVID-19 ESPO's external auditors, Grant Thornton, only started their audit work on 1<sup>st</sup> September and plan to complete their work and give their audit opinion by the end of November 2020. Consequently, the Statement of Accounts will be presented at a future Management Committee meeting.

**Background**

3. The AGS has been prepared following the Code of Practice on Local Authority Accounting in the UK 2019/20 (the Code) which 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.

**Outcomes of Process for Preparing Annual Governance Statement**

4. Accounts and Audit Regulations 2015 require ESPO 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). ESPO has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' (2016) and ESPO has assessed its governance system against the seven core principles of the Framework as shown below:

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values with all our stakeholders, and respecting the rule of law.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement.

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

PRINCIPLE E: Developing ESPO's capacity to fulfil its mandate including the capability of its Leadership Team and all staff members.

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management.

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability to all our stakeholders.

5. For each of the seven core principles the following have been considered:
  - Governance Mechanisms
  - Assurances Received
  - Weaknesses identified
6. To ensure this AGS presents an accurate picture of governance arrangements currently in place, each leadership team member was required to complete a 'Governance Self-Assessment' form, on which they outlined and assessed the measures in place in their department to ensure compliance (or otherwise) with ESPO's Code of Corporate Governance. 'Areas of Improvement' which were identified will be incorporated into an action plan to be implemented during the course of the next financial year. These 'Areas of Improvement' are listed in the report Appendix.
7. During their review of the 2019/20 draft AGS; the senior management group identified one significant governance issue, which is the risk of ESPO not achieving its financial budget surplus as a result of the COVID-19 crisis. Details of the organisation's response to the coronavirus (covid-19) is also outlined in a separate section of the report.
8. The AGS contains the Head of Internal Audit Service (HoIAS) opinion on ESPO's control environment i.e. its framework of governance, risk management and control. For 2019-20, the HoIAS gave substantial assurance that the control environment has remained adequate and effective.

### **Resources Implications**

No specific implications.

### **Recommendation**

The Committee is requested to:

- a. consider the draft Annual Governance Statement (Appendix) and indicate whether it consistent with the Committee's own perspective on internal control within ESPO.
- b. Note that final approval will be sought when the Statement of Accounts are presented at a future Management Committee meeting.

**Equal Opportunities Implications**

None

**Background Papers**

None

**Officers to Contact**

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**Appendix**

Appendix - Draft Annual Governance Statement

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