

**Annual Governance Statement 2019/20**

Report of the Finance Portfolio Holder

**Recommended:**

**That the Annual Governance Statement for 2019/20 be approved and that the Leader and Chief Executive be authorised to sign it on behalf of the Council.**

**Recommendation to Council**

**SUMMARY:**

- The purpose of this report is to seek approval for the Annual Governance Statement, which accompanies the 2019/20 Statement of Accounts.
- Best practice requires that the approval of this Statement is considered separately from the Statement of Accounts, although both are published together each year.

**1 Introduction**

- 1.1 Test Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

**2 Background**

- 2.1 As part of its responsibilities outlined above, the Council is also required to produce an Annual Governance Statement and publish the Statement alongside its annual accounts. The format of the statement is based on guidance produced in 2016 by the Chartered Institute of Public Finance (CIPFA) in conjunction with the Society of Local Chief Executives (SOLACE) titled "Delivering Good Governance in Local Government: Framework".
- 2.2 The Statement is attached as an Annex to this report and covers the following areas:
- (a) Scope of responsibility
  - (b) The purpose of the Governance Framework

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- (c) The Governance Framework in place at the Council
  - (d) A review of its effectiveness
  - (e) A separate Annex of Significant Governance Issues that need to be addressed during the year
- 2.3 The Review Effectiveness (item 2.2 (d)) has been carried out by the Deputy Chief Internal Auditor (DCIA) of Portsmouth City Council.
- 2.4 The DCIA has reviewed all of the internal audit work carried out during the year and familiarised himself with the Council's governance arrangements. To inform this work, a self assessment of the internal audit function's conformance with the Public Sector Internal Audit Standards (PSIAS) was carried out in March 2020.
- 2.5 This assessment concluded that the function "generally" or "partially" conforms with the standards. There is evidence that the work the Service has delivered is effective; especially around risk and performance. It contributes to, and has influence in, the Authority on these areas. It is a highly respected service that is engaged with the organisation and which provides on-going support in key areas, as well as effective assurance on controls".
- 2.6 Following an internal and external assessment in March 2019 an action plan was compiled to address gaps in conformance identified at the time and to ensure the function is fully effective both strategically and operationally. The action plan was implemented during 2019/20 and reported to the Audit Panel. The only note to the 2019/20 Audit Opinion is in regards to the composition of the audit universe and audit plan for 2019/20. Due to the timing of the external PSIAS assessment, the audit plan for 2019/20 had already been created based on the existing audit universe which, following the external assessment had been declared as inadequate. Therefore it is not possible to confirm that the Authority produced an audit plan which encompassed the key risks facing the council. By way of mitigation to this, the key fundamental system audits have been conducted under a new Risk based Auditing model providing confidence that the main financial audits of the Council have incorporated a robust risk assessment to ensure the scope is adequate in determining the risks associated with those activities.
- 2.7 On the basis of Internal Audit work completed in 2019/20 only, the DCIA of Portsmouth City Council has provided a "substantial assurance" in respect of the Council's risk management, control and governance arrangements.
- 2.8 The emergence of the Covid 19 pandemic towards the end of March 2020 has had an unprecedented impact on the Council's governance arrangements for the remainder of the 2019/20 year and more significantly into 2020/21. These impacts will need to be evaluated, in line with government guidance and mitigation measures, and developed alongside the Council's strategic partners and Local Resilience Forum.

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- 2.9 The date for final publication of the Council's accounts and Annual Accounts and Annual Governance Statement has been put back to 30 November in England as a result of the Coronavirus pandemic. Once post Covid 19 assurance work has been undertaken, this Annual Governance Statement may need to be updated, prior to the new deadline, to reflect any governance changes or issues that arose.

### **3 Corporate Objectives and Priorities**

- 3.1 In addition to its legal responsibilities, approval of an Annual Governance Statement is considered to be best practice and will ensure that proper arrangements are in place to deliver the aims of the Council's Corporate Plan.

### **4 Consultations/Communications**

- 4.1 The Chief Executive, Corporate Directors and all Heads of Service have been asked to review the Statement and consider whether there are any areas which they felt are appropriate for disclosure. All comments received have been incorporated into the Statement. The Audit Panel has also reviewed the Statement and action plan at its meeting on 16<sup>th</sup> March 2020 and endorsed the Statement. Subsequently, Audit Panel Members were informed about updates to the Statement and Action Plan in respect of the Covid-19 pandemic and made no additional comments.

### **5 Options**

- 5.1 The Council has a statutory duty to approve an Annual Governance Statement. In view of this, options are limited.

### **6 Risk Management**

- 6.1 A risk management assessment has been completed in accordance with the Council's Risk Management Methodology and has identified four significant governance issues as detailed in the annex to the Statement. The Required Actions proposed to mitigate these risks include timescales and officers responsible for completing them.

### **7 Resource Implications**

- 7.1 There are no direct resource implications in approving the Annual Governance Statement. The publication costs can be met from within existing budgets.

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### 8 Legal Implications

- 8.1 The Council is required by the Accounts and Audit (England) Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement with the Statement of Accounts.

### 9 Equality Issues

- 9.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EQIA has not been carried out.

### 10 Conclusion and reasons for recommendation

- 10.1 The Annual Governance Statement is part of the Framework for delivering good governance in local authorities. The Statement is high profile document signed by the Leader of the Council and Chief Executive and is published with the Statement of Accounts each year to demonstrate a commitment to improving corporate governance.

Background Papers (Local Government Act 1972 Section 100D)  
Delivering Good Governance in Local Government: Framework' – CIPFA /SOLACE  
Publication 2016  
Accounts and Audit (England) Regulations 2015' – [www.legislation.gov.uk](http://www.legislation.gov.uk)

#### Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	1	File Ref:	N/A
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(Portfolio: Finance) Councillor M Flood

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Report to:	Cabinet	Date:	17 June 2020
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