
REPORT TO: Audit and Governance Committee

DATE: 9 January 2023

SERVICE AREA: Legal and Governance

REPORTING OFFICER: Scrutiny, Governance and Risk Manager
Mark Codman

SUBJECT: **DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22**

WARD/S AFFECTED: ALL DISTRICT

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

1.1 This reports sets out the detail supporting the Council's Annual Governance Statement (AGS). The Audit and Governance Committee is asked to confirm that the Draft Annual Governance Statement 2021/22 fairly reflects the corporate governance arrangements in place.

2.0 RECOMMENDATION/S

2.1 It is recommended that the Audit and Governance Committee reviews the Draft Annual Governance Statement 2021/22 and agrees any amendments for inclusion.

3.0 RECOMMENDED REASON/S FOR DECISION/S

3.1 The Council must approve an Annual Governance Statement each year and append it to the Statement of Accounts.

4.0 ALTERNATIVE OPTION/S CONSIDERED AND RECOMMENDED FOR REJECTION *(Must be used for reports to Cabinet & Cabinet Members)*

4.1 No alternative was considered: this is a statutory requirement in accordance with the Accounts and Audit Regulations 2015

5.0 THE REPORT

A. Code of Corporate Governance

5.1 The council has adopted a Code of Corporate Governance (CCG) that is consistent with CIPFA Delivering Good Governance in Local Government:

Framework (2016). The Annual Governance Statement (AGS) explains how the authority has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an AGS.

- 5.2 The current code of corporate governance was agreed in April 2021 and has been used to prepare the Annual Governance Statement 2021/22. It is available on request.

B. The Governance Framework

- 5.3 The Governance Framework explains how the Council meets the principles in the CCG. It describes the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 5.4 The Governance Framework is based on the local code of Corporate Governance that has been in place for the year ended 31st March 2022 and up to the date of approval of the annual Statement of Accounts and is available on request.

C. Annual Governance Statement (AGS) 2021/22

- 5.5 The purpose of the AGS is to set out the Council's corporate governance arrangements and demonstrate how it has complied with them in 2021/22.
- 5.6 The current Code of Corporate Governance was agreed in April 2021. The Annual Governance Statement explains how the authority has complied with the code in 2021/22 and also meets the requirements of the Accounts and Audit (England) Regulations 2015 to prepare an Annual Governance Statement.

Review of Effectiveness 2021/22

- 5.7 The council must conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is undertaken by the Scrutiny, Governance and Risk Manager and includes the review/audit/analysis of:
- The work of Chief Officers/Service Managers with responsibility for the development and maintenance of governance arrangements
 - Reports from a number of individual officers with specific responsibilities
 - Process and procedures across the council
 - External/internal assurance mechanisms
 - Reports, meetings and decision making
 - Training, development and research
- 5.8 As part of the review all Heads of Service and Directors have confirmed Assurance arrangements for their service areas.

5.9 The Annual Governance Statement 2021/22 summarises the outcomes of the review of the effectiveness of its governance framework including the system of internal control. It meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. The Governance Improvement Action Plan forms part of the final AGS and identifies continuous improvement actions identified by the review, the actions are not considered significant. ***Progress for the actions in the improvement plan 2020/21 is identified in the AGS 2021/22 pages 32-33.*** The improvement actions for 2021/22 will be included in the final AGS 2021/22.

i. **Significant Issues Brought Forward from the AGS 2020/2021**

5.10 The AGS explains how significant governance issues arising from the 2020/21 AGS were addressed in 2021/22 these were:

- (I). ***Covid19 Significant Governance Issue 2020/21 (Paragraph 69) -*** Throughout the AGS 2020/21 the impacts of the Covid19 pandemic were identified where applicable. These impacts are significant and will affect all parts of the Council, residents and businesses for a number of years. It was therefore considered that the Council's response to and recovery from Covid 19 were still significant governance issues that required inclusion in the Annual Governance Statement 2020/21.
- (II). ***Devolution and Re-Organisation (Paragraphs 71) -*** Due to the work required, potential changes to governance arrangements and other significant implications to the Council it was considered that devolution and re-organisation were significant governance issues that required inclusion in the Annual Governance Statement 2019/20. It was considered that these were still on-going major issues that required inclusion in the Annual Governance Statement 2020/21. ***Progress on these issues in 2021/22 was reported in paragraph 70.***
- (III). There was also one Significant Governance issue highlighted that was the ***Internal Audit compliance with the PSIAS QAIP standard (paragraph 82).***– The external review of the Council's Internal Audit service by the Council's external auditor was received in December 2020. The review found one significant weakness in that there was a lack of a formal quality assurance and improvement programme (QAIP) and therefore the Internal Audit service did not fully comply with the PSIAS QAIP standard. The outcomes of the review had not been considered by Management Board or the Audit and Governance Committee (at the time) however it was a significant Governance issue that required to be included in the Annual Governance Statement 2019/20. It was therefore identified in the AGS 2019/20 with the caveat that it would be included as a significant governance issue in the AGS 2020/21, ***progress in 2021/22 was reported in paragraph 82.***

ii. Significant Governance Issues 2021/22

The review of the effectiveness of the governance framework has identified two significant governance issues for action and monitoring in 2021/2022:

(I). **Covid19 (Paragraph 69)** The Council's response to and recovery from Covid19.

(II). **Devolution and Re-Organisation (Paragraph 71)**- Due to the work required, potential changes to governance arrangements and other significant implications to the Council (as detailed) it is considered that devolution and local government re-organisation are significant governance issues that require inclusion in the Annual Governance Statement 2021/22.

5.11 The Final Annual Governance Statement 2021/22 will be considered by the Audit and Governance Committee in conjunction with the Statement of Accounts and signed by the Leader and Chief Executive. It is anticipated that this will be at the meeting on 20 March 2023.

5.12 It is recommended that the Audit and Governance Committee reviews the Draft Annual Governance Statement 2021/22 and agrees any amendments for inclusion.

6.0 REQUIRED ASSESSMENTS AND IMPLICATIONS

6.1 The following were considered: Financial Implications; Human Resources Implications; Legal Implications; ICT Implications; Strategic Property/Asset Management Considerations; Risk Assessment; Equality and Diversity (the Public Sector Equality Duty and impact upon people with protected characteristics). If applicable, the outcomes of any consultations, assessments, considerations and implications considered necessary during preparation of this report are detailed below.

7.0 CONCLUSIONS

7.1 The Council must approve an Annual Governance Statement each year and append it to the Statement of Accounts. This report sets out the detail supporting the council's AGS 2021/22. The Audit and Governance Committee can confirm the proposals and agree any amendments for inclusion in the final AGS.

OFFICER CONTACT: Please contact (Mark Codman Scrutiny, Governance and Risk Manager), if you require any further information on the contents of this report. The officer can be contacted at (*Legal and Governance, PO Bo 787, Harrogate, HG1 9RW*) 01423 500600 Ext 58595 or by e-mail – (mark.codman@harrogate.gov.uk)