

North Tyneside Council Report to Audit Committee Date: 18 November 2020

ITEM 6

Title: Annual Governance
Statement Update

Report from Service: Finance

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Wards affected: All

PART 1

1.1 Purpose:

1.1.1 The Annual Governance Statement (AGS) explains how the Authority delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 6(1)(a) of the Accounts & Audit Regulations 2015 which require the Authority to publish an AGS.

1.1.2 The purpose of this report is to advise the Audit Committee of the outcome of the review of the Authority's system of internal control as presented in the AGS (Appendix A). The review will assist the Audit Committee in considering the effectiveness of the Authority's arrangements for the governance of its affairs, including arrangements for management of risks and systems for internal control.

1.2 Recommendation(s):

1.2.1 It is recommended that the:

- (a) Audit Committee note the outcome of the review of the Authority's system of internal control;
- (b) Audit Committee consider the draft AGS and approve that it accompanies the Statement of Accounts for 2019/20 and
- (c) Audit Committee note the actions proposed in the AGS relating to any governance issues identified and make suggestions about including additional items if considered necessary.

1.3 Forward plan:

1.3.1 This report is included within the annual workplan for the Audit Committee.

1.4 Council plan and policy framework:

1.4.1 The AGS covers all the service responsibilities as identified within the Council Plan.

1.5 Information:

- 1.5.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires audited bodies to conduct a review at least once a year of the effectiveness of its internal controls and produce an AGS. Good governance is fundamental to the proper running of the Authority. It enables an authority to pursue its vision effectively as well as underpinning that vision with control and management of risk. The arrangements in place must be proportionate to the risks and are acknowledged as being the responsibility of each authority in its area of operation. The process of preparing the AGS should add value to the effectiveness of the corporate governance and internal control framework.
- 1.5.2 The AGS has been compiled using a governance framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). CIPFA originally published the framework 'Delivering Good Governance in Local Government' in association with SOLACE in 2007. CIPFA and SOLACE subsequently reviewed the framework to ensure that it remains fit for purpose and a revised edition was published in spring 2016. The framework builds on the existing one and details the principles that should underpin the governance of a local authority. The framework is based on seven core principles that feed into the AGS – a summary of these are shown in Section 3 of the AGS together with examples of the evidence supporting the principals in practice within the Authority. The AGS is attached as Appendix A.
- 1.5.3 The Chief Executive, Director of Public Health and each of the Heads of Service have been involved in populating the AGS with the evidence supporting how the principals are met within the Authority. The key documents/functions that have been reviewed as part of the compilation of the AGS together with an overview of the process are outlined in Appendix B. Section 5 of the AGS (Appendix A) outlines the outcome of the review of the effectiveness of internal control and identifies areas that have been highlighted as requiring continuous monitoring to ensure that they do not become significant governance issues in the future.
- 1.5.4 The risk management update, included in the agenda for this meeting, sets out the current corporate risks being managed and monitored, and for the purpose of completeness should be considered alongside this report. This process evidences an important part of the Authority's governance framework.
- 1.5.5 The AGS is a draft based on the information and evidence available as at the date of this meeting. To date, no issues have been raised by the external auditor during the audit of the 2019/2020 financial statements. Due to the timing of the approval of the financial statements, if there are any matters which arise between the publication of this report and the date of the Audit Committee on 18 November 2020, then a further update will be provided to the Audit Committee for its consideration.
- 1.5.6 Impact of Covid-19 on Governance
- The global pandemic has changed how every organisation works over the last few months – North Tyneside Council has been no different. The Annual Governance Statement has given consideration to the impact of those changes. Two things have been very different in governance terms and were examined during the review of the effectiveness of governance arrangements.

The first was the suspension of face to face meetings for Elected Members and then, as a consequence of national legislation, the power given to Councils to defer their Annual Meetings. Throughout the pandemic, however, the Senior Leadership Team has worked closely with the Mayor and Cabinet and tried to ensure all Members were briefed on progress and decision taking. Care was taken to ensure Council Governance activities were in line with national guidance and legislation. Part of the planned recovery work was a specific focus on political and democratic recovery working to ensure Committees were able to work virtually as quickly as possible; no decisions proper to Council, Cabinet or Committees have been missed.

The second was the move of over 1,000 of the Officer team to work from home. While this posed a major technological challenge, appropriate IT security arrangements were in place aligned to the roll-out of Office 365. In addition, the Scheme of Delegations, Contract Standing Orders and all other usual decision taking arrangements remained in place with oversight consistent to business as usual. Where certain arrangements were made to continue to pay contracts during the lockdown period, national procurement guidance on supplier relief was applied and all appropriate decisions recorded as would be normal via the Waiver and BMS systems.

1.6 Decision options:

The options available are:

- (a) To accept the recommendations made in section 1.2.1; or
- (b) To reject the recommendations made within this report.

1.7 Reasons for recommended option:

The production of the Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015.

1.8 Appendices:

Appendix A – Annual Governance Statement 2019/2020
Appendix B – Annual Governance Statement Framework

1.9 Contact officers:

Janice Gillespie – Head of Resources – Tel: 0191 643 5701
David Dunford – Senior Business Partner – Tel: 0191 643 7027
Iain Henderson – Principal Accountant (Business Partner) – Tel: 0191 643 5722

1.10 Background information:

The following background papers and reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Annual Governance Statement 2019/20
- (b) 'Delivering Good Governance in Local Government' 2016 Edition (CIPFA)
- (c) 'Delivering Good Governance in Local Government: Guidance Notes' 2016 Edition (CIPFA)
- (d) 'The Role of the Chief Finance Officer' 2016 Edition (CIPFA)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no financial implications as a result of the recommendations within this report.

2.2 Legal

The Annual Governance Statement is produced annually in accordance with regulation 6(1)(a) of the Accounts and Audit Regulations 2015.

2.3 Consultation / community engagement

The Chief Executive, Director of Public Health and all Heads of Service have been consulted. All Members were provided the opportunity to attend a briefing during the summer on the draft Financial Statements. The draft financial statements were published on the Authority's website and were available for public inspection between 3 August 2020 and 14 September 2020 to provide residents with the opportunity to scrutinise and raise any questions. No questions were received during this period.

2.4 Human rights

There are no Human Rights implications as a result of the recommendations in this report.

2.5 Equalities and diversity

There are no Equalities and Diversity implications as a result of the recommendations in this report.

2.6 Risk management

The annual review of the system of internal control will cover all controls, including the arrangements in place for Risk Management within the Authority.

2.7 Crime and disorder

There are no crime and disorder implications as a result of the recommendations in this report.

2.8 Environment and sustainability

There are no environment and sustainability implications as a result of the recommendations in this report.