

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

Report of:	Pete Carpenter, Corporate Director of Resources Fiona McMillan, Director of Law and Governance	
Cabinet Member responsible:	Councillor Andy Coles, Cabinet Member for Finance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

**ANNUAL GOVERNANCE STATEMENT 2020 / 2021**

R E C O M M E N D A T I O N S	
<b>FROM :</b>  Joint report from Director of Law and Governance and Corporate Director of Resources	<b>Deadline date : –</b>
Committee is asked to:	
<ol style="list-style-type: none"> <li>1. Note the arrangements for compiling, reporting on and signing the Annual Governance Statement;</li> <li>2. Review and comment on the Annual Governance Statement including any areas which should be amended; and</li> <li>3. Subject to changes identified above, agree and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Audit Committee following referral from the s151 Finance Officer as part of the annual closure of accounts process and is included in the Audit Committee annual work programme.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise, but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.

2.2 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following:

- 2.2.1.16: To oversee the production of the authority's Annual Governance Statement and to recommend its adoption; and
- 2.2.1.17: To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

### 3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	–
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### 4. **BACKGROUND**

- 4.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2020 / 2021 reporting year. Set out in the **Appendix A** is the Draft AGS. Prior actions requiring attention which have been resolved are set out for information in **Appendix B**.
- 4.2 This report includes the AGS for Audit Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.
- 4.3 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
- The Council's policies are implemented in practice;
  - High quality services are delivered efficiently and effectively;
  - The Council's values and ethical standards are met;
  - Laws and regulations are complied with;
  - Required processes are adhered to;
  - Its financial statements and published information are accurate and reliable; and
  - Human, financial and other resources are managed efficiently and effectively.

### 5. **ARRANGEMENTS FOR COMPILING THE ANNUAL GOVERNANCE STATEMENT**

- 5.1 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government.

### 6. **SUPPORTING EVIDENCE**

- 6.1 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the City Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.
- 6.2 Internal Audit: Annual Internal Audit Opinion 2020 / 2021
- 6.2.1 The annual report from Internal Audit is elsewhere on this agenda. Key issues which have been highlighted in the report requiring attention relate to audits completed which had limited assurance, these being:
- Procurement Card Management system;
  - IT Asset Management;
  - Teachers Pensions – Premature Retirement
- 6.2.2 There are action plans to address issues identified. Subject to these being completed appropriately, the Annual Audit Opinion provides a **reasonable** assurance on the overall standard of effective of the internal control framework. In addition, there is an effective Internal Audit in place when measured against the defined criteria as listed above which is in full compliance with the Public Sector Internal Audit Standards.

### 6.3 External Audit

- 6.3.1 Throughout the year, Ernst and Young (EY) have undertaken works reviewing the activities of the Council. EY provides an Annual Audit Letter giving an overall evaluation of the Council.
- 6.3.2 At the Committee meeting on 16 November 2020, the draft Audit Results report in line with Code of Practice and International Standard of Auditing ISA 260. There was an expectation for completion of all outstanding matters in line with national guidelines of 30 November 2020. No concerns were expressed regarding completing the outstanding items under the control of the Council and EY.
- 6.3.3 Further works were commissioned in relation to loans made to ECS Peterborough Limited and this was reported to Audit Committee on 25 January 2021.
- 6.3.4 A special meeting of the Audit Committee was held on 21 June to agree to the sign of the accounts and receive the certificate that works were completed in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice. In conclusion, from a Peterborough City Council perspective, the Annual Audit Letter gives assurance in respect of 2019 / 2020 Financial Accounts and confirms an effective system of internal control.

### 6.4 Internal Control and Governance Self-Assessment

- 6.4.1 Internal Audit issued each Directorate with the Internal Control and Governance Self-Assessment in March 2021 and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. The questionnaire was amended to include an emphasis on a number of areas which are shared with the County. The areas covered within the assessment were:

Governance Arrangements and Legal Requirements	Partnerships
Reporting Arrangements to Members	Commissioning
Code of Conduct	Business Continuity
Financial Regulations	Health and Safety / Safeguarding
Financial Planning	Equality and Diversity
Savings Targets	Risk Management (including Project Management)
Staffing	Public Health
Information Governance	Recommendations
IT Security	Covid-19
Data Quality / Performance Management	

- 6.4.2 Where scores were assessed as being lower or partial compliance in key control areas, separate commentary was provided as to how these could be addressed and are reflected in the AGS Action Plan.

### 6.5 Risk Management

- 6.5.1 Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant

issues which could have a major impact on the strategic delivery of the Council's objectives. Risk Management is overseen through a separate Risk Management Board which has representatives of all Directorates as well as specific risk specialists such as the Insurance Manager and the Chief Internal Auditor. Meeting approximately every 6 weeks, it is chaired by the Corporate Director of Resources. Risks at a Directorate level are discussed and those considered strategic escalated through to Corporate Management Team in line with the risk appetite. A report is also submitted to Audit Committee setting out these. Similarly once a year the Risk Management Policy and Strategy is refreshed.

- 6.5.2 Key financial risks for the Council are also regularly referred across all Departments as part of the monthly monitoring arrangements for the budget enabling actions to be taken to mitigate these. Similarly, the Medium Term Financial Strategy also provides details of the various risks impacting on the balanced budget. This enables Council to understand the decisions required to agree the budget.

## 6.6 Corporate Governance

- 6.6.1 Regular updates on governance arrangements are reported through Corporate Management Team, Cabinet, Audit Committee and ultimately to Full Council. This covers all aspects of governance – from constitutional changes, operational procedures such as Financial or Contract regulations or standards issues. Significant governance issues established in the AGS are reported to Audit Committee.

## 6.7 Financial Controls

- 6.7.1 The Council has implemented improved arrangements for managing its finances and the delivery of and realisation of savings. This is coordinated through the Rapid Improvement Team. Regular updates on progress are fed through to the Chief Executive as well as to Resources so that can be appropriately reported within budget monitoring returns. These ultimately appear as a regular item on Cabinet agendas. Similarly, financial risks identified in 6.5.2 above are also referred through the budget monitoring arrangements.

## 7. **CONSULTATION**

One of the key messages coming out of the CIPFA / SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements. The AGS has been circulated to the Corporate Management Team for discussion, amendment and approval and is fully reflected in the attached document.

## 8 **ANTICIPATED OUTCOMES OR IMPACT**

The documents are presented to the Audit Committee for review and to then advise the Leader of the Council and Chief Executive upon for sign off for its inclusion in the Statement of Accounts.

## 9. **REASONS FOR RECOMMENDATIONS**

The AGS sets out the framework for the Council and identifies some issues where action is planned to improve the level of governance.

## 10 **ALTERNATIVE OPTIONS CONSIDERED**

In line with accounting requirements the Council has to publish an Annual Governance Statement based on a prescribed format.

## 11 **IMPLICATIONS**

This report contains no specific financial implications. The agreement of the AGS does not have any direct financial implications, however, in order to maintain financial control and

address risks as identified within the Statement, Directorates may need to allocate resources from within their existing budgets.

## **BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Delivering Good Governance in Local Government (CIPFA / SOLACE)
- Accounts and Audit (England) Regulations 2015
- Directors: Internal Control and Governance Self-Assessment templates

## **APPENDICES**

Appendix A: Draft Annual Governance Statement

Appendix B: Previous Significant Issues Resolved

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