

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

22 September 2021

North East Derbyshire District Council – Annual Governance Statement 2020/21

Report of the Head of Corporate Governance and Monitoring Officer

Classification: This report is public

Report By: Sarah Sternberg, Head of Corporate Governance and Monitoring Officer

Contact Officer: as above

PURPOSE/SUMMARY

- To seek the agreement of the Audit and Corporate Governance Scrutiny Committee to the conclusions and content of the Annual Governance Statement which it is proposed to incorporate within the Council's Statement of Accounts for 2018/19.
- To review the Local Code of Corporate Governance.
- To increase awareness of Governance issues amongst Members and Employees of the Council and more generally amongst all stakeholders.

RECOMMENDATIONS

1. That the Audit and Corporate Governance Scrutiny Committee consider the draft Annual Governance Statement as set out in Appendix 1 and make any observations or recommendations which they consider to be appropriate prior to the final version being incorporated within the Council's Statement of Accounts.
2. That the Audit and Corporate Governance Scrutiny Committee approve the local Code of Corporate Governance as set out in Appendix 2.
3. That the Audit and Corporate Governance Scrutiny Committee having reviewed the effectiveness of the Governance Framework are satisfied that the Council's governance and internal control arrangements are fit for purpose.
4. That delegated powers are granted to the Chief Financial Officer in consultation with the Chair or Deputy Chair of the Audit and Corporate Governance Scrutiny Committee to agree any changes which may be necessary in order to ensure the

finalisation of the external audit currently being concluded by the Council's external auditors Mazars to ensure completion of the Statement of Accounts by the statutory deadline of 30 September 2021.

Approved by the Portfolio Holder – Yes

IMPLICATIONS

Finance and Risk

Yes

No ✓

There are no additional financial implications arising from this report.

Effective governance arrangements for local authorities are crucial if authorities are to meet the standards of accountability, integrity, consumer focus, democratic engagement and organisational effectiveness that are expected of them. The preparation of the Annual Governance Statement is one of the mechanisms that helps ensure that effective governance arrangements are in place. The gross impact of not having effective Governance arrangements in place would be significant with the CIPFA / SOLACE guidance taking the view that effective governance lies at the heart of a Council's managerial, performance and financial arrangements. The Governance Statement and supporting documentation do, however, demonstrate that the Council has in place a range of processes and procedures which taken together amount to a culture of effective governance. While there remain a limited number of significant individual issues that need to be addressed and resolved to improve the Council's Governance arrangements the overall framework is sound and provides an appropriate base from which to address the individual issues identified within this report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

The requirement to include an Annual Governance Statement within the Council's Statement of Accounts is set out within the Accounts and Audit Regulations 2015 and associated best practice. The processes outlined in the report should be sufficient to ensure that the Council's Governance Statement together with the Local Code of Corporate Governance meets the requirements of both the relevant legislation and associated good practice.

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	N/A
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	N/A
<p>Has the relevant Portfolio Holder been informed</p>	Yes
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	All

REPORT DETAILS

1 Annual Governance Statement and Code of Corporate Governance

1.1 As part of its Statement of Accounts the Council is required to include an Annual Governance Statement. Preparation of the Statement needs to be undertaken in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework which sets out the fundamental principle of corporate governance that need to be addressed. The CIPFA / SOLACE Framework sets out the following core principles which Authorities should follow:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder agreement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

One of the main purposes of the Annual Governance Statement is to assess the extent to which the above key principles are in place within an authority and are adhered to in practice. In short it is an annual assessment process for the Council's Governance arrangements. As part of this process the Audit and Corporate Governance Scrutiny Committee will also be requested to give consideration to the Council's updated Code of Corporate Governance.

1.2 A key principle for CIPFA/SOLACE is that the Annual Governance Statement together with the Code of Corporate Governance are corporate documents, which must be owned by the whole organisation. Some key principles which are set out in the Code are as follows:

- The key focus of the governance structures should be the attainment of sustainable economic, societal and environmental outcomes.
- Local authorities must focus on the long term having responsibilities to more than their current electors as they must take into account the impact of current decisions and actions on future generations.
- Local Authorities should assess their Governance structures and partnerships on at least an annual basis reporting publicly on compliance

1.4 The Draft Annual Governance Statement for consideration and approval by this Committee is attached as Appendix 1. While it is anticipated that the version considered by the Audit and Corporate Governance Scrutiny Committee will effectively be the final version of the Annual Governance Statement there may be a requirement to make some final changes before the Statement of Accounts is authorised for issue by the Chief Financial Officer. It is therefore recommended that delegated powers be given to the Chief Financial Officer in consultation with the Chair or Deputy Chair of this Committee to agree any final changes. It should be noted that the only changes that will be made under these delegated powers will relate to amendments agreed with the Council's external auditors Mazars.

1.5 The preparation of the draft Annual Governance Statement takes place at the same time as the review of the Council's Local Code of Corporate Governance. The Code of Corporate Governance is attached at Appendix 2 to this report for consideration by the Audit and Corporate Governance Scrutiny Committee. Included as an Appendix within the Code of Corporate Governance is an assessment of the arrangements which were operational within the Council during the 2020/21 financial year. That Appendix is extracted from the CIPFA / SOLACE framework and provides a benchmark against which to assess the policies, procedures and behaviours which are in place at the Council. That review supports the assessment that the Council is operating in line with good practice and that the areas where improvement is required are those identified by the work of Internal Audit and SAMT. Officers are of the view that this work serves to satisfy the requirement that a comprehensive assessment of the Council's governance arrangements be undertaken and ensure compliance with the requirement to undertake an annual review of the system of internal control.

1.6 While the evidence from the structured assessment that has been undertaken demonstrates that appropriate procedures and processes are in place, it should be noted that there remain a small number of issues of corporate governance where further work is necessary if we are to continue to comply with the good

governance requirement. The issues that have been identified as a result of the work of external review (including external audit), internal audit, and the routine work of the Council's own officers will be addressed throughout the year through the performance management framework and reported to this Committee.

- 1.7 In addition to the assessment contained within the Code of Governance given in Appendix 2, there is at Appendix 3 a further benchmarking exercise between the CIPFA / SOLACE Code and the draft Annual Governance Statement. The results of this benchmarking confirm the assessment that the Council meets the requirements in respect of the Annual Governance Statement.
- 1.8 Finally, Appendix 4 is the draft memo from this Committee (to be signed by the Chair) the Chief Financial Officer and Monitoring Officer to the Leader and Head of Paid Service which recommends that the Annual Governance Statement gives a true and fair view of the position within the Authority, and that accordingly it would be reasonable for them to sign the Statement off on behalf of the Council.

2 Reasons for Recommendation

- 2.1 To enable the Audit and Corporate Governance Scrutiny Committee to assess the appropriateness of the draft Annual Governance Statement and to make recommendations concerning any amendments which they consider appropriate.

3 Alternative Options and Reasons for Rejection

- 3.1 There are no alternative options for consideration.

DOCUMENT INFORMATION

Appendix No	Title
1	Annual Governance Statement 2020/21
2	Updated Code of Governance
3	AGS Assessment against CIPFA Code
4	AGS Memorandum
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Sarah Sternberg – Head of Corporate Governance & Monitoring Officer	(01246) 242414