

Committee: Standards and General Purposes Committee

Date: 22 July 2021

Wards:

Subject: Annual Governance Statement 2020/21

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Peter McCabe- Chair of Standards and GP Committee

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Recommendations:

1. To endorse the final 2020/21 AGS (as contained in Appendix A) for inclusion within the Council's final Statement of Accounts.
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report presents the Council's Annual Governance Statement (AGS) for 2020/21. This statement is required to comply with Regulation 6 (3) of the Accounts and Audit regulations 2015 and the CIPFA/SOLACE standards.
- 1.2 As required by the CIPFA standards, the draft AGS will be signed by the Chief Executive and Leader of the Council for inclusion in the draft accounts.

2. Details

1.1.

- 2.1 The purpose of the Annual Governance Statement is to report on the robustness of the Council's governance arrangements. Corporate governance is defined, for the purposes of this report as:

'The framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations'

- 2.2 Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that the Council undertake an effective internal audit to evaluate the effectiveness of the risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards or guidance.
- 2.3 Regulations 6 (1)(3) states the Council must, each financial year, conduct a review of the effectiveness of the system of internal control and submit the findings of the review to members of the authority.

- 2.4 The Annual Review is a high-level review carried out by Internal Audit, which provides an assessment of whether the Council complied with the principles of the CIPFA/SOLACE framework for good governance during 2020/21.
- 2.5 The Council's Governance Framework is described in the Annual Governance Statement. This narrative sets out the key elements of governance within the Council and these arrangements which have been assessed as part of this review.
- 2.6 Effective Governance arrangements impact across areas in which we seek to make a difference in Merton, it operates and spans different levels of the Council.
- 2.7 The Council recognises the benefits of strong corporate governance as: -
- Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcomes.
 - Developing the Councils 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.

Governance review

- 2.8 Council-wide governance arrangements have been assessed against the core principles and supporting criteria set out by CIPFA/SOLACE in their publication 'Delivering Good Governance in Local Government 2016' The Annual Governance Statement uses evidence from a number of specific and general sources spanning the Council's assurance framework and is supported by an annual review of effectiveness, which draws upon the following work:
- An annual review of the Council's governance arrangements against CIPFA standards, as summarised within this report,
 - The Annual Effectiveness Review of the System of Internal Audit and the Head of Internal Audit's opinion on the adequacy of the Council's internal control environment.
- 2.9 The review of the governance framework against the standard, confirms that it is fit for purpose. A number of areas have been identified as actions for the Council during 2021/22 (table 2 of the AGS).

Review of the work of Internal Audit

- 2.10 The Head of Audit is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. The work of

Internal Audit during 2020/21 was sufficient to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control environment.

- 2.11 Based on the work undertaken during 2020/21, there were 76% substantial and above assurances. The limited assurances covered: Cyber Security, Building Control, Covid 19 Procurement, Disclosure Barring Service checks, Prepaid cards, No Recourse to Public Funds, Direct Payments and Care Management 2000. All actions on these audits will be followed up to ensure implementation.

3. ALTERNATIVE OPTIONS

- 3.1 There are no alternative options as the AGS is a statutory requirement, as stated at paragraph 1.1 above.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 No external consultation has taken place or is planned for this document.

5 TIMETABLE

- 5.1 This report has been prepared to meet the timetable for the approval of the Statement of Accounts.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1 There are no specific financial, resource or property implications apart from the need to implement the AGS Improvement Plan, which will be completed within existing resources

8 LEGAL AND STATUTORY IMPLICATIONS

- 8.1 As stated above in paragraph 1.1 above, the Annual Governance Statement is a statutory requirement under Regulation 6 (3) of the Accounts and Audit Regulations 2015 as well as complying with CIPFA/SOLACE standards.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 9.1 There are no specific human rights, equalities or community cohesion implications, except in so far as this report is wholly concerned with good governance.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1 There are no specific risk management or health and safety implications other than the assessment of the Council's risk management arrangements in the AGS

11. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 11.1 Appendix I: Annual Governance Statement 2020/21.

12 BACKGROUND PAPERS – THE FOLLOWING DOCUMENTS HAVE BEEN

**RELIED ON IN DRAWING UP THIS REPORT BUT DO NOT FORM PART OF
THE REPORT**

- 12.1 Annual Governance Statement 2020/21
- 12.2 CIPFA / SOLACE Delivering Good Governance in Local Government –
Framework 2016
- 12.3 CIPFA / SOLACE Delivering Good Governance in Local Government –