

## London Borough of Enfield

### General Purposes Committee

4 August 2021

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**Subject:** Annual Governance Statement – 2019-20 and 2020-21

**Cabinet Member:** Cllr Mary Maguire

**Executive Director:** Jeremy Chambers – Director of Law & Governance

**Key Decision:** N/A

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### Purpose of Report

1. The purpose of this report is to consider London Borough of Enfield's final Annual Governance Statement for the financial year 2019-20, and the equivalent draft Statement for 2020-21.

### Proposal(s)

2. Recommended that General Purposes Committee:
3. Approve the final 2019-20 Annual Governance Statement for publication within the Council's Annual Accounts.
4. Note and agree the text of the draft 2020-21 Annual Governance Statement, the final Statement to be presented to the Committee for final approval at a future meeting alongside the Final Accounts for 2020-21.

### Reason for Proposal(s)

6. The Council is required by the Accounts and Audit Regulations 2015 to preview the effectiveness of its system of internal control at least once a year and include a statement on this review within its published annual financial accounts. The Regulations stipulate this shall be termed the Annual Governance Statement (AGS).
7. This report considers two such statements, relating to the years 2019-20 and 2020-21. The AGS for 2019-20 is the proposed final version, which would be published in the final accounts; therefore, it is appropriate that the General Purposes Committee consider and approve this alongside the accounts themselves.
8. The AGS for 2020-21 is in draft format. While substantial changes would not be expected, it is possible that some may occur to reflect the final accounts outcome. Therefore, it would not be prudent for the Committee to give a final approval at this stage; this should be reserved until the text is considered final. However, it is appropriate for the Committee to have adequate

opportunity to discuss and review the proposed AGS as it stands and gain comfort that the Council's obligations will be met by the proposed AGS.

## **Relevance to the Council Plan**

9. The purpose of the AGS is to consider the effectiveness of the Council's governance framework and its system of internal control. These are the means by which the Council manages its risks to within its risk appetite and ensures that the aims of the Corporate Plan are deliverable; without effective governance, risk management and control, the likelihood of failure to achieve the aims of the Corporate Plan increases.

## **Background**

10. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require all local authorities in England to review their system of internal control annually, and to include a statement on this review in the annual published accounts, being titled the Annual Governance Statement (separate regulations applying to other United Kingdom jurisdictions).
11. The expected standard, content and quality measure of the AGS is crystallised within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, as well as CIPFA's Delivering Good Governance in Local Government Framework (2016) (referred to hereafter as 'the CIPFA framework'). An AGS prepared in accordance with these documents will meet the Council's obligations under the aforementioned regulations.

## **Main Considerations for the Council**

### The general purpose and format of the AGS

12. The CIPFA Framework identifies that the effective AGS should be "meaningful but brief", as well as "high level, strategic and written in an open and readable style".
13. The focus of both Statements presented here is therefore corporate; identifying those risks which affect the entire organisation and its ability to deliver services and meet objectives. There may be high operational risk areas in individual services which are not covered within the AGS, as this is not its purpose.
14. It is beneficial for the AGS to follow a similar format each year, such that comparison can be easily drawn between years and the direction of travel in relation to governance can be clearly seen. The two presented AGS follow the same broad format and headings.
15. To comply with the CIPFA Framework, the Council is required to address the following issues within the AGS:
  - a. Acknowledge its responsibility for ensuring sound internal control and refer to its Code of Governance. The Council has referred to

the CIPFA/SoLACE Framework of governance, and the AGS for both years considered are formatted to identify how the Council complies with the principles of this framework.

- b. Reference to key elements of framework and those responsible for developing and maintaining the governance environment. This is included within the assessment against the CIPFA/SoLACE framework, with further identification of key structures and documents to support this assessment.
- c. The assurance opinion on the governance arrangements. This is provided by the Head of Internal Audit and is located at the end of the AGS before the Conclusion.
- d. Identification of key governance risks for the coming year and proposed action to address them.
- e. Update how the risks identified in the previous AGS have been addressed and resolved.
- f. Conclusion, including a commitment to ongoing, continuous, and monitored improvement.

#### 2019-20 AGS and identified risks

16. The 2019-20 AGS was first presented in draft form to General Purposes Committee in July 2020. This report will therefore summarise the changes which have been made since the previous version.

#### *CIPFA/SoLACE Framework*

17. The section on the Council's governance framework has been expanded and re-formatted to more clearly identify the connection to the CIPFA/SoLACE Framework. This assists in more clearly evidencing the requirement on the Council identified in paragraphs 15a and 15b above, to refer to the Council's framework of governance and identify how it has implemented it.
18. Each principle of the framework has been addressed with the arrangements in place to meet it, thereby demonstrating the Council's implementation of its identified framework model of choice.

#### *Covid-19 Risk identification*

19. A separate section has been included within the key focus for 2020-21, specifically on Covid-19 risks. Previously, Covid-19 was included among the general areas of focus, with an emphasis on financial effects; comments from the External Auditor indicated their belief that Covid-19 warranted much more detail given the unprecedented nature of the pandemic and associated societal restrictions, and the wide range of risks this posed for the Council.
20. The corporate risks identified in this section, along with proposed action to address them, are:
  - a. IT governance and capacity risks specifically in relation to the move to mass remote working;

- b. Access to services for residents given the highly reduced in-person service available through Council buildings during restrictions;
  - c. The effect of mass remote working on both staff wellbeing and decision-making processes;
  - d. The financial effects of Covid-19 on both in-year budget and future financial planning.
21. It is important to note that due to the nature of the AGS as a single year review, no hierarchy of importance is afforded the Covid-19 risks identified, as any one risk could have significant effects on service delivery in-year. Over the longer-term – as future statements will identify – some effects of Covid-19 will last longer than others and may require long-term monitoring as opposed to a one-off solution.

#### *Internal Audit Plan and arising actions*

22. A section has been added on the Internal Audit Plan and audit actions. This assists the Council in relation to the requirements of paragraph 15c for an assurance opinion; the further detail on the audit plan helps to clearly contextualise the Head of Internal Audit's assurance opinion and how it was arrived at. Comments from the Council's external auditor suggested this was not clear in previous versions.
23. The section identifies those audit areas identified as risks via No Assurance or Limited Assurance reports, including key financial systems receiving these opinions. It is noted that this information is also in the public domain via the Annual Internal Audit Report, however including a summary within the AGS itself improves the consistency and readability of the AGS, as identified by CIPFA as a key requirement for an effective AGS (see paragraph 12).
24. The AGS further identifies key corporate themes in No and Limited Assurance audit reports, identifying areas of significance for corporate governance. It should be noted that this will not exhaustively cover the findings of such audits; as per paragraph 12, the focus of the AGS is high-level and strategic, and therefore operational service issues identified through individual audits would not be appropriate to include. Operational issues identified in these audits remain visible in the public domain through the Annual Internal Audit Report.
25. The section finally confirms the level of success in implementing and monitoring actions agreed to address risks within individual audit reports, as well as the process in place corporately to monitor the implementation of actions through the year.

#### 2020-21 AGS and identified risks

26. The format amendments and new sections introduced in the 2019-20 AGS are retained for the 2020-21 AGS. As noted in paragraph 14, consistent format enables greater ease of comparison from year-to-year.

27. New sections to the AGS have been updated where relevant to reflect improvements made since 2019-20. However, much content in regard to the Council's framework has remained the same. This is not considered to represent a risk issue; an effective corporate governance framework should (among other things) provide stability of governance. With this in mind, the governance framework and structure of the Council would not be expected to undergo substantial change in any one individual year.

#### *Risks identified*

29. The update on the risks from 2019-20 identifies that some risks of Covid-19 have continued; this is due to the nature of the pandemic and restrictions continuing into the year 2020-21, and the additional pressure this causes. Some risks can be addressed as one-off; e.g. decision-making. Once a protocol for virtual meetings is in place, the protocol can simply continue for as long as needed. However, with aspects such as financial pressures, or staff wellbeing impacts, these will continue to be risks for as long as the causes of them (such as societal restrictions) continue to be unavoidable for the Council. Therefore, these risks will require continual monitoring to mitigate their effects on an ongoing basis.

30. The update on general governance risks identifies that these areas have been addressed in full, with the exception of the end of Brexit transition arrangements. Similarly, to Covid-19, this reflects the fact that some aspects of the regulation replacing former EU regulation remains in draft format or does not yet have published guidance on how the government expects the Council to interpret or implement new regulatory requirements.

31. The areas of focus for 2020-21 continue to include Covid-19, though with a narrower range of risks than previously. In addition to the continuing risk areas identified, there additional risks in specific areas of demand-led service which have been exacerbated by the length of the pandemic and have therefore been identified as an additional risk.

32. General governance risks added for consideration and action in 2020-21 cover the increase in the powers of the Housing Ombudsman and the subsequent heightened scrutiny afforded to the Council's housing operations, and the themes identified through No and Limited Assurance audit reports. The statement also identifies key actions to fully refresh the Corporate Risk Register and improve training on the practical application of the Council's Risk Management Strategy.

#### *Assurance Opinion*

33. The annual opinion of the Head of Internal Audit identifies *Reasonable Assurance* over the effectiveness of the control environment. This represents an improvement on the previous year.

34. As with the previous AGS, the section includes contextual information on the Internal Audit Plan, including a comparison to the previous year, identifying why the opinion has improved. This is due to a greater proportion of *High Assurance* and *Reasonable Assurance* audits issued within the year (59% of

audit opinions in 2020-21, compared to 46% in 2019-20), indicating a general improvement in the control environment.

### **Safeguarding Implications**

35. There are no safeguarding implications.

### **Public Health Implications**

36. There are no particular public health implications to the report, although the report does cover the Council's actions to address risks arising from Covid-19.

### **Equalities Impact of the Proposal**

37. There are no Equalities impacts. There is no proposed change or alteration to any form of service provision, and no proposed expenditure.

### **Environmental and Climate Change Considerations**

38. There are no considerations arising from the proposal.

### **Risks that may arise if the proposed decision and related work is not taken**

39. The Council's Accounts cannot be published until the AGS for 2019-20 is approved, as inclusion of the AGS is a requirement of the Accounts and Audit Regulations 2015. Therefore, the publication of the Council's Accounts would be unavoidably delayed further if the 2019-20 AGS is not approved.

### **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

40. In approving the 2019-20 AGS for the publication, the Council does have to be satisfied it has fully implemented the requirements of regulation. As detailed within this report, officers have reviewed the 2019-20 AGS and made substantive amendments to ensure the requirements of good practice, regulation, and the prior comments of the External Auditor, have all been fully incorporated within the proposed AGS presented as Appendix A. The Committee should therefore be able to gain comfort that the Council has fully complied with its statutory obligations and can publish the 2019-20 AGS as presented.

### **Financial Implications**

41. There are no direct financial implications to the proposals. The risks identified above include strategic financial risks, the effects of which have been detailed in other relevant reports. The extent of the effect of Covid-19 risks will be identified within the separate reports on the Council's Accounts for the relevant years.

### **Legal Implications**

42. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, requires the council to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.
43. The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) (The Framework) fulfils the statutory requirements across the United Kingdom for the council to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore, the Council shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016). The Framework is also intended to be used as best practice for developing and maintaining a locally adopted code of governance

### **Workforce Implications**

44. There are no workforce implications.

### **Property Implications**

45. There are no direct property implications.

### **Other Implications**

46. There are no other implications.

### **Options Considered**

47. The AGS for 2019-20 could be rejected for required improvements. This would delay the publication of the Council’s accounts, as the AGS must be included. It is the assessment of officers that the presented AGS meets the requirements of regulation and good practice guidance as outlined within this report, and that changes made to the AGS have addressed the comments raised by the Council’s External Auditor in full. Therefore, there would be little gain in further delay to publication of the Accounts in relation to the AGS.
48. The 2020-21 AGS is in draft format, presented to the Committee for its view. As there is no final decision and time remains to amend the proposed 2020-21 AGS, at this stage options remain open.

### **Conclusions**

49. The Council is required to publish an Annual Governance Statement within its Final Accounts. The prepared final 2019-20 AGS and draft 2020-21 AGS are assessed to meet the requirements of regulation and good practice codes, and the final 2019-20 AGS therefore considered appropriate to be approved for publication.

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**Appendices**

Appendix A – Final proposed Annual Governance Statement 2019-20

Appendix B – Draft Annual Governance Statement 2020-21