

London Borough of Enfield

General Purposes Committee

July 2021

Subject: Annual Governance Statement – 2021-22
Cabinet Member: Cllr Tim Leaver
Executive Director: Fay Hammond – Executive Director of Resources

Key Decision: N/A

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 draft 2021-22 Annual Governance Statement for inclusion within the Council's draft Annual Accounts.

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).
8. The AGS for 2021-22 has been produced in draft format; it remains so until published within the Final Accounts. While substantial changes would not be expected, it is possible that some may occur to reflect the final accounts outcome. 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.

2021-22 AGS and identified risks

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 2020-21 identifies that risks of Covid-19 have generally been addressed; this is due to the nature of the pandemic progression and the end of restrictions, which eased many of the additional pressures caused by the pandemic.
- 30. The update on general governance risks identifies that these areas have been addressed in full, and details the actions taken to mitigate and minimise those risks.
- 31. The areas of focus for 2022-23 include information governance, financial resilience and the Council's strategic approach to companies; a number of actions are detailed in attached AGS which will be enacted to enhance those areas of governance.
- 32. General governance actions added action in 2021-22 also include a review of the revised Scrutiny arrangements introduced in previous years. This is not identified as a risk, however it is included as an aspect of good practice, as it is prudent to review revised arrangements to ensure the objectives of the revised structure are being achieved.

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 2021-22 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 2021-22 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 draft 2021-22 AGS, the Council does have to be satisfied it has fully implemented the requirements of regulation. The format of the AGS is in line with previous years in which the AGS was substantially amended to address prior comments of the External Auditor. 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.

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 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

48. The Council is required to publish an Annual Governance Statement within its Final Accounts. The prepared draft 2021-22 AGS is assessed to meet the requirements of regulation and good practice codes.

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Appendices

Appendix A – Draft proposed Annual Governance Statement 2021-22