

<b>Title of Report:</b>	<b>Annual Governance Statement 2021/22 - Assurance Framework</b>
<b>Report of:</b>	<b>Darren Collins, Strategic Director, Resources &amp; Digital</b>

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### **Purpose of the Report**

- 1 This report provides an overview of the work to be undertaken to produce the Annual Governance Statement (AGS) for 2021/22 which demonstrates the level of assurance that can be given by the Council's control systems and governance arrangements.

### **Background**

- 2 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively demonstrating value for money.
- 3 The Accounts and Audit Regulations 2015 require the Council to produce an AGS setting out its governance arrangements and reviewing their effectiveness. The statement accompanies the Annual Statement of Accounts and is signed by the Leader of the Council and Chief Executive.
- 4 The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making, that there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and the community.

### **Assurance Framework**

- 5 The assurance framework supports the AGS and provides councillors with information on the Council's control environment and governance arrangements. It maps the Council's strategic objectives to risks and controls and seeks assurance from a number of sources of Council activity.
- 6 The process of preparing the AGS should itself add value to the effectiveness of the Governance Assurance Framework. The assurance process will demonstrate four aspects:
  - **Identify** – what do we want assurance on?
  - **Assess** – what are the sources of assurance?
  - **Review** – how is assurance validated?
  - **Act** – what are the opportunities to improve?

7 In preparing the governance statement it will be necessary to review evidence from the following sources which together form the assurance framework:

- Governance arrangements
- Councillors
- Senior Managers
- The system of internal audit
- Risk Management arrangements
- Counter Fraud arrangements
- Performance Management and data quality
- Views of the external auditor and other external inspectorates
- The legal and regulatory framework
- Financial controls
- Partnership arrangements and governance
- Other sources of assurance.

### **Governance arrangements**

8 The Council has a Local Code of Governance, which was last updated and agreed by the Audit and Standards Committee on 31 January 2022. This Code defines how the Council complies with the principals of good governance as set out in the Local Code of Governance developed by CIPFA, Delivering Good Governance in Local Government: Framework. The principles of good governance in the framework are:

- Behaving with integrity
- Ensuring openness and comprehensive engagement
- Defining sustainable outcomes
- Determining interventions
- Developing capacity
- Managing risks and performance
- Implementing good practice in transparency

9 The effectiveness of the Council's governance arrangements will be considered through the assessment of the assurances below.

### **Councillors**

10 The Council's Constitution sets out the role of the Cabinet as follows:

- To lead change and make recommendations for change to the Council, in consultation with a range of stakeholders;
- To ensure that the Council's priorities within the policy framework and budget are implemented, making decisions within the framework where appropriate;
- To monitor and implement the budget and policy framework through taking a lead role on Best Value and through co-ordination with the Overview and Scrutiny role;

- To provide a public face for specific issues.
- 11 Assurance will be sought from members of the Cabinet on the effectiveness they feel can be placed on the Council's corporate governance arrangements.

### **Senior Managers**

- 12 All Service Directors will complete a self assessment assurance statement detailing the level of assurance they feel they can place on their key control and governance processes. This statement will be reviewed and updated for 2021/22 to ensure it remains focused on the key areas and takes into account any changes due to the impact of the pandemic. The evidence used to complete these statements will be evaluated by Internal Audit as part of the 2022/23 plan.

### **The system of internal audit**

- 13 The Accounts and Audit Regulations 2015 require all authorities to "conduct an annual review of the effectiveness of internal audit and for a committee of the body to consider its findings" and that this process should be part of the annual review of the effectiveness of the system of internal control, which results in the production of the Annual Governance Statement. Best Practice highlights that "internal audit", in this context, includes not only the Internal Audit Service but also the Audit and Standards Committee.
- 14 The review ensures the opinion of the Chief Internal Auditor given in the Internal Audit Annual Report can be relied upon as a key source of evidence in the Annual Governance Statement.
- 15 The Strategic Director, Resources & Digital has delegated responsibility to maintain an adequate internal audit of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.
- 16 This review of the effectiveness of the system of Internal Audit for 2021/22 will be undertaken by the Council's Internal Control Group, which includes the Strategic Directors of Resources & Digital and Corporate Services & Governance. This review will be based upon:
- Self-assessment against Public Sector Internal Audit Standards (PSIAS);
  - Self-assessment against the CIPFA Role of the Head of Internal Audit;
  - Results of external assessment against Public Sector Internal Audit Standards (PSIAS)
  - Assessment of the effectiveness of the Audit and Standards Committee;
  - Relevant performance information; and
  - Where appropriate, reliance placed upon Internal Audit by the Council's external auditor.
- 17 The overall opinion of the Chief Internal Auditor based on the work undertaken by the Internal Audit & Risk Service and other providers during the year will be reported to the Audit and Standards Committee in June as part of the Internal Audit Annual Report 2021/22.

## **Risk management arrangements**

- 18 The Corporate Risk Management Policy identifies the roles and responsibilities of the following key groups:
- Councillors through the engagement of Cabinet and the Audit and Standards Committee;
  - Chief Executive;
  - Strategic Director, Resources & Digital;
  - Strategic Directors;
  - Service Directors;
  - Service Managers;
  - Internal Audit & Risk Service; and
  - The Corporate Risk and Resilience Group (including Service Risk Coordinators)
- 19 The Policy is reviewed annually to ensure it reflects organisational changes which have taken place since it was first adopted. The existing governance arrangements provide a means by which the effectiveness of the Policy can be monitored, thereby facilitating its ongoing development.
- 20 The Strategic Director, Resources & Digital prepares an annual report for the Audit and Standards Committee detailing the Council's risk management arrangements during the year and its findings. The report also includes a view on the effectiveness of the Council's risk management arrangements.

## **Counter Fraud Arrangements**

- 21 The Council's Counter Fraud and Corruption Strategy clearly identifies the Council's commitment to an effective approach to Counter Fraud and Corruption and outlines the principles the Council is committed to in preventing and reporting fraud and corruption.
- 22 Regular reports on any activity relating to this Strategy, and progress against the fraud plan, are provided to the Committee.
- 23 A Counter Fraud and Corruption Policy and Fraud Response Plan forms an important part of the Counter Fraud and Corruption Strategy by setting the tone, culture and expectations of the Council, as part of the corporate framework. The Policy outlines the Council's attitude to and position on, fraud and corruption and sets out responsibilities for its prevention and detection. It also communicates important deterrence messages to employees, Councillors and third parties, that fraudulent conduct will not be tolerated by the Council and that the stance against fraud is endorsed and supported at the most senior level.
- 24 The Fraud Response Plan details the Council's procedures for responding to any incidents of suspected fraud or corruption. The Plan sets out how suspicions should be raised and how investigations will be conducted and concluded.

- 25 An annual report will be provided to the Committee on performance against the strategy and the effectiveness of the strategy.

### **Views of the external auditor and other external inspectors**

- 26 The external auditor issues an Annual Audit Letter to the Council, providing a review of the Council's value for money arrangements and reporting any significant issues arising from the audit of the Council's financial statements.
- 27 There are a number of other external inspectorates which may report on management or governance arrangements at the Council in the course of the year.

### **Performance management and data quality**

- 28 The Council's corporate Performance Management and Information Framework (PMIF) is a positive tool for employees, managers and councillors to use to identify how well it is delivering for local people and where to improve delivery so that services and outcomes offer value for money and achieve better results. Service Directors use performance data, alongside management and operational data, to guide development of their business plans to ensure business continuity and service improvement.
- 29 The PMIF is reviewed periodically to ensure it provides effective challenge and supports the continuous improvement of Council services. Following adoption in 2018 of the Council's strategic approach, Making Gateshead a Place Where Everyone Thrives, the Framework was comprehensively reviewed during 2021/22 to ensure it is focussed on delivery of the Thrive policy.
- 30 The purpose of the revised PMIF is to:
- Enable the Council to know whether it is achieving its priorities. (Thrive Policy and Health and Wellbeing Strategy).
  - Ensure that the Council's resources are being deployed effectively.
  - Make both short and long-term effective decisions.
  - Enable a whole systems approach – embedded in our partnership working to deliver the Health & Wellbeing Strategy.
- 31 Cabinet Agreed this approach 19 October 2021. Implementation will be iterative, with continuous development, considering developing strategies and plans to inform the further development of Outcomes, Interventions, Resource and Performance Measures.
- 32 The new framework has seen widespread engagement with officers and members and will be reported to SMG Services and Performance and the relevant Overview and Scrutiny Committee and Cabinet.

### **Legal and regulatory framework**

- 33 Assurance will be sought from the Strategic Director, Corporate Services and Governance as the Monitoring Officer who has a legal duty to ensure the lawfulness and fairness of decision-making within the Council.

Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every committee report submitted to a decision-making body.

### **Financial controls**

- 34 Assurance will be sought from the Strategic Director, Resources & Digital who is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety, publicity and budget issues; giving financial information; and acting as the Council's money laundering reporting officer.

### **Partnership arrangements & governance**

- 35 Each Service Director is required to review the partnerships their Service is connected with and record details within their business plan on an annual basis. As partners are key to the delivery of the Council's objectives, assurance of their control and governance systems is required. The overall opinion on the effectiveness of such arrangements will be presented in an annual report to the Audit and Standards Committee.

### **Other sources of assurance**

- 36 Other areas include anything not covered above which gives an opinion on the Council's internal control environment or governance arrangements. This will include consideration of assurance in relation to the Council's response to the pandemic.

### **Production of the Annual Governance Statement 2021/22**

- 37 A corporate group, chaired by the Strategic Director, Resources & Digital will use the findings of the above sources of assurance to form a view on the adequacy of the Council's overall internal control and governance arrangements.
- 38 Using evidence from this assessment the Group will prepare the AGS for 2021/22 for approval by the Audit and Standards Committee in June 2022. This will then accompany the Statement of Accounts for 2021/22.

### **Recommendation**

- 39 The Committee is asked to agree the Assurance Framework as set out in this report.

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