

Report to Audit Committee

Annual Governance Statement for 2021/22

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

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The purpose of this report is to update the Audit Committee on the draft Annual Governance Statement included within the draft Statement of Final Accounts for the financial year 2021/22.

This report supports the draft Statement of Accounts and Annual Report by the Head of Internal Audit which are considered separately elsewhere on this Agenda.

Executive Summary

The Council, as part of its Statement of Final Accounts produces an Annual Governance Statement. This identifies the significant governance issues that the Council needs to consider at the financial year-end to reduce its future risk.

At regular meetings of this Committee, update reports have been produced highlighting the progress made on issues identified for improvement in the Annual Governance Statement produced to support the Statement of Final Accounts for financial year 2020/21 and the new issues that might require consideration for inclusion in a future Annual Governance Statement. This has informed the production of the Draft Annual Governance Statement for 2021/22 which is attached at Appendix 1.

Recommendations

The Committee notes the draft Annual Governance Statement included within the draft Statement of Accounts for the financial year 2021/22.

Annual Governance Statement for 2021/22**1 Issues included in the previously agreed 2020/21 Annual Governance Statement**

1.1 The 2020/21 Annual Governance Statement (AGS) previously reported to this Committee identified a total of ten issues for the Council to monitor in the financial year 2021/22 as to how the risk to the Council was being reduced. The issues highlighted included the need to strengthen internal control within both the Payroll Service and the financial administration of systems in Adult Social Care. Both matters have been long term issues for the Council to address.

1.2 In respect of the Payroll Service, it is pleasing to confirm the improvements in administration reported to this Committee on 10 March 2022 (which in part are linked into the implementation of the new i-Trent system) were maintained. It is therefore pleasing to report that the overall opinion on the control environment at 31 March 2022 has now improved to adequate from inadequate.

1.3 As the Head of Internal Audit Annual Report highlights, the financial administration linked into Adult Social Care financial systems has not improved. This is disappointing. Over the past two financial years the Service has been impacted by the pandemic but there were control issues before that which have been reported extensively to this Committee. As such this may be an area where the Audit Committee requests a future report on how the issue is being addressed when the annual work programme is prepared and considered at the 21 July 2022 Committee meeting.

1.4 It is pleasing that of the ten issues identified in the 2020/21 AGS it has been possible to remove two from the 2021/22 draft AGS. These are:

- The deficit on the centrally retained proportion of the Dedicated Schools Grant.

The financial position during 2021/22 showed a small improvement (as set out in the Improvement Plan and the annual accounts) and using the current projections for the financial year 2022/23 it is estimated that the reported deficit will be negligible at that year-end before returning to a surplus in the financial year 2023/34.

- The financial resilience of key partners which have been affected during the pandemic.

It is pleasing to report that during 2021/22 the position has improved and therefore this no longer needs to be considered as an issue for the 2021/22 draft AGS.

Both issues were reported as “Green” in the 10 March 2022 update report to this Committee.

2 Issues considered for Inclusion in and Exclusion from the 2021/22 AGS.

2.1 As set out in the regular reports to this Committee a few issues have been considered for inclusion in the 2021/22 AGS. After consideration it was proposed to add one extra issue not previously included in the regular update reports. This is linked into an on-going consultation on accounting for Infrastructure Assets which has the potential to impact on the draft Statement of Accounts for 2021/22 reported elsewhere on this Agenda.

2.2 Should there be a change in accounting practice required following the response to the consultation it will impact on both the 2020/21 and 2021/22 accounts which will then need

to be restated. As such, given the impact, even though the restatement will be technical in nature (it has no financial impact on the financial performance reported) it is thought sensible to include as a specific issue within the 2021/22 AGS.

3 Financial Management Code

- 3.1 Pre COVID it was planned that 2020/21 would be the year Local Authorities implemented the Financial Management Code. In practice 2021/22 became the implementation year due to the impact of the pandemic. The Council completed the self-assessment (reported to this Committee on 17 January 2022) which identified the Council was compliant with the requirements set out in the Code during the financial year 2021/22.

4 Annual Governance Statement for 2021/22

- 4.1 Appendix 1 details the draft AGS for 2021/22.

5 Options/Alternatives

- 5.1 The options are that the Audit Committee:
- a) considers this report which details the AGS for 2021/22 prepared as a key document within the Statement of Accounts.
 - b) declines to consider the report and requests a further review.

6 Preferred Option

- 6.1 The preferred option is that the Audit Committee reviews the AGS in accordance with the recommendation made.

7 Consultation

- 7.1 N/A.

8 Financial Implications

- 8.1 There is no direct impact upon the reported financial position of the Council (Anne Ryans).

9 Legal Services Comments

- 9.1 N/A.

10 Cooperative Agenda

- 10.1 N/A.

11 Human Resources Comments

- 11.1 N/A.

12 Risk Assessments

- 12.1 These are identified as specific issues in the AGS (Mark Stenson).

13 IT Implications

- 13.1 N/A.
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14 **Property Implications**

14.1 N/A.

15 **Procurement Implications**

15.1 N/A.

16 **Environmental and Health & Safety Implications**

16.1 N/A.

17 **Equality, community cohesion and crime implications**

17.1 N/A.

18 **Equality Impact Assessment Completed**

18.1 N/A.

19 **Key Decision**

19.1 N/A.

20 **Forward Plan Reference**

20.1 N/A.

21 **Background Papers**

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are included in Appendix 1.
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22 **Appendices**

22.1 **Appendix 1: Draft 2021/22 Annual Governance Statement**
