

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 15 July 2020**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **ANNUAL GOVERNANCE STATEMENT**

Contact Officer: David Hogan, Head of Audit and Assurance
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Chief Officer: Director of Finance

Ward: (All Wards)

1. Reason for report

The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement must be prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016). The statement must be published with the Statement of Accounts.

2. **RECOMMENDATION(S)**

1. **To comment on the 2019/20 Annual Governance Statement, attached as Appendix A.**
2. **To agree the 2019/20 Annual Governance Statement subject to any changes made as a result of Recommendation One.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
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Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit and Assurance
 4. Total current budget for this head: £541k including Internal and External Audit, Fraud Partnership, Insurance Management and Claims handling
 5. Source of funding: General Funding, Admin Penalties, Legal cost recoveries
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Personnel

1. Number of staff (current and additional): 7.5 FTE including 1 FTE Insurance and Risk Manager
 2. If from existing staff resources, number of staff hours: 940 audit days were proposed to be spent on the original audit plan, fraud and investigations – excludes RB Greenwich time.
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Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable:
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Procurement

1. Summary of Procurement Implications: None
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A. Relevant to all stakeholders of the Council
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3.1 The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.

3.2 The Council must assure itself that its internal control environment is effective. Regulation 3 of the Accounts and Audit Regulations 2015, requires audited bodies to ensure that it has a sound system of internal control which:

(a) facilitates the effectiveness of its functions and the achievement of its aims and objectives;

(b) ensures that the financial management and operational management of the authority is effective

(c) includes effective arrangements for the management of risk.

Regulation 6 requires that each financial year, the authority must:

(a) conduct a review of the effectiveness of the system of internal control;

(b) prepare an Annual Governance Statement.

3.3 The AGS must be prepared in accordance with proper practices as defined in the CIPFA publication 'Delivering Good Governance in Local Government: Framework 2016'. The guidance outlines seven core principles of governance focusing on the systems and processes for the direction and control of the Council and its activities whereby it engages with and leads the community. There is no prescribed format.

3.4 Annual review of LB Bromley's Governance Framework

3.4.1 The annual review and development of the Annual Governance Statement was undertaken by Internal Audit in consultation with the Corporate Leadership Team, and included input from the Monitoring Officer, Section 151 Officer, Democratic Services Manager and Corporate Risk Management Group.

3.4.2 The assurance framework sets out the sources of assurance that are relied upon to enable preparation of the Annual Governance Statement. These include the work of Internal Audit, and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment. It also includes the comments made by the external auditors and other review agencies and inspectorates. The Head of Audit & Assurance's opinion set out in the Internal Audit annual report forms a key element of the review.

3.5 Governance Issues

3.5.1 As a result of our annual review, we have identified the following areas where further work is required to monitor how the key risks facing the Council are being managed, or where further work is required to improve systems. The issues and actions highlighted in the Annual Governance Statement are as follows:

3.5.2 Finance

3.5.3 A potential balanced budget for next year has been achieved through identifying savings, generating income, an improved financial settlement from Government and continuing with

prudent financial management, but there remains a “budget gap” of £0.8m in 2021/22 rising to £16.9m per annum in 2023/24. The projections from 2021/22 have to be treated with some caution, particularly as the Government’s next Spending Review, outcome of the Fair Funding Review and Business Rate Devolution is now expected to be implemented from 2021/22 – the outcome, including the impact on individual councils, is still awaited. The impact of the COVID- 19 pandemic is yet to be fully assessed but is expected to have a significant effect on Public Services, including the Council’s financial forecast projections.

3.5.4 Valuation of Fixed Assets

3.5.5 Issues have been identified relating to the methodology used for the valuation of fixed assets for reporting in the Council’s 2018/19 Statement of Accounts. It is clear that a revised approach is necessary which will require significant work relating to a full re-valuation of the Council’s assets.

3.5.6 Impact of COVID-19 pandemic on service delivery

3.5.7 The COVID-19 pandemic has had disruptive and unprecedented effects on individuals, businesses, governments and society. This pandemic is causing a significant impact on Local Government and the Council has had to adapt to this changing landscape. There are risks to service delivery; for example an increase in staff absence rates amongst employees and contractors. At the same time there have been increased workloads, in key defined critical services. In common with many organisations, the Council has shifted to employees working from home and adopted new operating models to continue business. It faces a possible reduction in Council funds through significant falls in income and additional costs. These bring the risk of an impact upon delivering statutory responsibilities, an impact on the delivery of the Council’s Transformation Programme 2020-23, and its ability to close the Council’s budget gap of £16.9m by 2023/24.

3.6 Looking back on 2018/19

3.6.1 Page 19 of the statement outlines the progress made on issues identified in the 2018/19 statement.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

None

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

None

7. PERSONNEL IMPLICATIONS

None

8. LEGAL IMPLICATIONS

8.1 The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement must be prepared in accordance with the

requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).

- 8.2 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority 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. Regulation 6(1) (b) of the Regulations 2015 requires that for a local authority in England the statement is an Annual Governance Statement. It is also included within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

9. PROCUREMENT IMPLICATIONS

None

Non-Applicable Sections:	Impact on Vulnerable adults and children, policy, financial, personnel, legal, procurement
Background Documents: (Access via Contact Officer)	None