



Northumberland

County Council

COMMITTEE: **AUDIT COMMITTEE**

DATE: **28 SEPTEMBER 2022**

ANNUAL GOVERNANCE REVIEW AND ANNUAL GOVERNANCE STATEMENT 2020/21

Report of Jan Willis, Interim Executive Director of Finance & Section 151 Officer

Cabinet Members: Councillor Glen Sanderson, Leader of Council

Purpose of report

The purpose of this report is to enable the Audit Committee to review the final Annual Governance Statement for 2020-21 and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Recommendations

It is recommended that Audit Committee:

- Approve the final Annual Governance Statement (shown in Appendix A);
- Note the further planned improvement actions, to strengthen the Council's governance arrangements following the recent Independent Review of Governance (the 'Caller Review') and the issue of the S114 Report.

Link to Corporate Plan

Effective governance arrangements are critical to the delivery of all priorities in the Council's Corporate Plan which was refreshed and agreed by Council in February 2022.

Key issues

Under the Accounts and Audit Regulations 2015, the Council must ensure that it has a sound system of internal control, which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- Ensures that the financial and operational management of the authority is effective; and,

- Includes effective arrangements for the management of risk.

The 2015 Regulations also require that the Council reviews (at least annually) the effectiveness of those systems of internal control, to ensure that governance arrangements are up to date and relevant.

The outcome of that review must be considered by a committee of the Council and published in the Annual Governance Statement (AGS), alongside the Statement of Accounts.

The Audit Committee has responsibility for reviewing the Council's corporate governance arrangements against the good governance framework and for considering annual governance reports and assurances.

Background

Local authorities are required to prepare an annual governance statement to publicly report on the extent to which they comply with their own code of governance. This includes how they have monitored and evaluated, the effectiveness of their governance arrangements in the year, and on any planned changes in the coming year. In essence, the AGS is an accountability statement from the Council to its stakeholders on how well it has delivered on governance over the course of the previous year.

The AGS should provide a meaningful but brief communication regarding the review of governance that has taken place. It should be high level, strategic and written in an open and readable style. The AGS does not need to describe in detail the key elements of an authority's governance arrangements if they are already easily accessible by the public, such as through the authority's code of governance. The AGS should be signed by the Chief Executive and Leader of the Council and approved by a resolution of a committee or Full Council. In Northumberland, approval of the AGS has been delegated to the Council's Audit Committee.

At its meeting of 7th October 2021, Audit Committee considered the draft Annual Governance Statement (draft AGS) for 2020-21. At that meeting, Members of the Committee raised concerns relating to governance issues which they did not feel were properly reflected in the Draft AGS. Whilst the Committee did not agree the draft Report, the draft AGS was published alongside the draft Statement of Accounts for 2020-21. Alongside this, an independent governance review was requested by the Leader of Council and subsequently commissioned in January 2022 ("the Caller Review"). This was in response to the Administration's concerns with the Council's corporate governance arrangements.

Subsequently, on 23 May 2022 the Interim Executive Director of Finance and Section 151 Officer issued a Section 114 Notice in relation to the following matters as she believed that unlawful expenditure had been incurred by the Council:

- The expenditure incurred by the Council's International Team established in 2017. The International Team has been trading as part of the Council and without appropriate approvals, and any commercial trading needs to go through a proper approval process and must be done through a Council company; and,
- The payment of an annual International Allowance of £40,000 (plus oncosts) to the Council's Chief Executive and Head of Paid Service which has been paid since 2017. This allowance in the opinion of the Interim Executive Director of Finance and Section 151 Officer has never been properly authorised.

As stated, the Council also commissioned an Independent Review of Governance ('Caller Review') in January 2022, which reported to Full Council on 8th June 2022. The final report of the 'Caller Review' identified serious failings in governance and

made recommendations for improving and strengthening the governance of the Council. An action plan has been agreed for delivering on these recommendations. Governance to advise on and, oversee delivery has also been established.

The final Annual Governance Statement (AGS) for 2020-21 now takes account of the S114 Notice, the final report of the Caller Review and other significant events that occurred post-31st March 2021. The final AGS is set out at Appendix A.

RECOMMENDATIONS

It is recommended that Audit Committee:

- Approve the final Annual Governance Statement (shown in Appendix A);
- Note the further planned improvement actions, to strengthen the Council's governance arrangements following the recent Independent Review of Governance (the 'Caller Review') and the issue of the S114 Report.

Implications

Policy	Effective corporate governance supports the delivery of the Council's priorities, as outlined in the Corporate Plan.
Finance and value for money	There are no direct financial implications associated with this report. However, financial planning and management are key components of effective corporate governance.
Legal	<p>The governance review process and publication of an Annual Governance Statement ensures that the Council discharges its statutory duties under the Local Government Act 1999 and the Accounts and Audit Regulations 2015. The Local Code of Corporate Governance enables the Council to demonstrate how it complies with the CIPFA/SoLACE 'Delivering Good Governance In Local Government Framework (2016)'</p> <p>It is the role and function of the Audit Committee to review the Council's corporate governance arrangements against the good governance framework including the approval of the Annual Governance Statement.</p>
Procurement	None
Human Resources	None
Property	None
Equalities (Impact Assessment attached)	None

Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	
Risk Assessment	There are no direct risks associated with this report, but the assessment of corporate risk is a key component of the Council's governance arrangements.
Crime & Disorder	None
Customer Consideration	None
Carbon reduction	None
Health and Wellbeing	None
Wards	All Wards

Background papers:

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Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Full Name of Officer
Interim Monitoring Officer/Legal	Suki Binjal
Interim Executive Director of Finance & S151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Interim Chief Executive	Rick O'Farrell
Portfolio Holder(s)	Cllr Glen Sanderson, Leader of Council

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