



Northumberland

County Council

COMMITTEE: **AUDIT COMMITTEE**

DATE: **26 JULY 2023**

ANNUAL GOVERNANCE REVIEW AND DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

Report of Jan Willis, Executive Director of Transformation and Resources & S151 Officer

Cabinet Members: Councillor Glen Sanderson, Leader of Council

1. Purpose of report

1.1 The purpose of this report is to enable the Audit Committee to review the draft Annual Governance Statement for 2022-23 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.

2. Recommendations

2.1 It is recommended that Audit Committee:

- Approve the draft Annual Governance Statement (shown in Appendix A); and
- Agree to the draft Annual Governance Review being published on the Council's website alongside the draft statement of accounts and reviewed by the Council's external auditors as part of the 22-23 Audit.

3. Link to Corporate Plan

3.1 Effective governance arrangements are critical to the delivery of all three priorities in the Council's new Corporate Plan which was agreed by Council in May 2023.

4. Key issues

4.1 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.

- 4.2 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.
- 4.3 The outcome of that review must be considered by a committee of the Council and published in the Draft Annual Governance Statement (AGS), alongside the Draft Statement of Accounts.
- 4.4 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.

5. Background

- 5.1 Local authorities are required to prepare an annual governance statement (AGS) 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.
- 5.2 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.
- 5.3 An independent governance review was requested by the Leader of Council and subsequently commissioned in February 2022 ("the Caller Review"). This was in response to the Administration's concerns with the Council's corporate governance arrangements.
- 5.4 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 had been trading as part of the Council and without appropriate approvals, and any commercial trading needed 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 had never been properly authorised.
- 5.5 The Independent Review of Governance ('Caller Review') in January 2022 reported to Full Council on 8th June 2022. The final report of the 'Caller Review' identified weaknesses in governance and made recommendations for improving and strengthening the governance of the Council. An action plan was agreed for

addressing these recommendations. Arrangements to advise on and, oversee delivery was also established.

5.6 The draft Annual Governance Statement (AGS) for 2022-23 takes account of the S114 Notice, the final report of the Caller Review, the resolution of employment issues with the former Chief Executive and other significant events that occurred during 2022/23.

5.7 The Annual Governance Statement also sets out significant post-2022/23 governance events including: the conclusion of the Challenge Board’s work; the Review of Local Area Councils (reported to Council in May 2023); redrafts of the Council’s constitution and Corporate Plan; an independent report setting out lessons learned from previous International Team’s trading activity (reported to Audit Committee 26th July 2023); and, a report setting out findings from an investigation to establish whether unlawful payments had been made to any officers or former officers, including severance payments (reported to Audit Committee 26th July 2023). It is the opinion of the S151 Officer that, whilst exit payments were unlawful, a further S114 notice will not be issued.

5.8 The draft AGS is set out at Appendix A.

6. Implications

Policy	Effective corporate governance supports the delivery of all three Council 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	The governance review process and publication of an Annual Governance Statement ensures 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)’. 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 draft Annual Governance Statement.
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:

None

Report sign off.

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

	Full Name of Officer
Monitoring Officer	Stephen Gerrard
Executive Director of Transformation and Resources & S151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Dr Helen Paterson
Portfolio Holder(s)	Cllr Glen Sanderson, Leader of Council

Author and Contact Details

Jan Willis

Executive Director of Transformation and Resources & S151 Officer email:

Jan.Willis@northumberland.gov.uk