

Council Report

Ward(s) affected: n/a

Report of Director of Strategic Services

Author: John Armstrong, Democratic Services and Elections Manager

Tel: 01483 444102

Email: john.armstrong@guildford.gov.uk

Lead Councillor responsible: Joss Bigmore

Tel: 07974 979369

Email: joss.bigmore@guildford.gov.uk

Date: 6 July 2021

Proposed amendment to terms of reference of the Corporate Governance and Standards Committee

Executive Summary

Under the Accounts and Audit Regulations 2015 the Council is required to prepare an Annual Governance Statement (AGS) detailing the governance framework and procedures that have operated at the Council during the year, a review of their effectiveness, significant governance issues that have occurred and a statement of assurance.

The 2015 Regulations also require the Council to publish the AGS alongside the adopted statement of accounts each year.

In recent years, the Executive has approved the AGS on the recommendation of the Corporate Governance and Standards Committee. Officers are now of the view that approval of the AGS is probably a non-Executive function and should be carried out either by the full Council or, in common with many councils which have delegated the function to an audit (or equivalent) committee, by the Corporate Governance and Standards Committee.

The Council is also required by the 2015 Regulations provide to ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The Council must review of the effectiveness of the system of internal control for each financial year and at the same time prepare the AGS. The AGS is the mechanism by which this review is undertaken.

It is clear that the relevant item in the existing terms of reference of the Corporate

Governance and Standards Committee requires an update to actually refer to the AGS. The terms of reference currently state under Corporate Governance Activity:

“(14) To consider the Council’s statement on internal control and to recommend its adoption.”

Recommendation to Council

That the following paragraph be substituted in place of the existing paragraph (14) of the terms of reference of the Corporate Governance and Standards Committee (under Corporate Governance Activity):

“(14) To consider and approve the Council’s Annual Governance Statement in advance of the formal approval of the Council’s Statement of Accounts”.

Reason for Recommendation:

To ensure the efficient and effective consideration and approval of the Council’s Annual Governance Statement each year.

Is the report (or part of it) exempt from publication? No

1. Purpose of Report

- 1.1 To ask the Council to consider amending one of the terms of reference of the Corporate Governance and Standards Committee to provide clarity over adoption of the Annual Governance Statement (AGS).

2. Strategic Priorities

- 2.1 Providing clarity over which decision-making arm of the Council is responsible for adoption of the AGS is consistent with being open and accountable with our residents, which is one of the Values for our Residents stated in the 2018-23 Corporate Plan.

3. Background

- 3.1 Under the Accounts and Audit Regulations 2015 the Council is required to prepare an AGS detailing the governance framework and procedures that have operated at the Council during the year, a review of their effectiveness, significant governance issues that have occurred and a statement of assurance.
- 3.2 The 2015 Regulations also require the Council to publish the AGS alongside the adopted statement of accounts each year.
- 3.3 In recent years, the Executive has approved the AGS on the recommendation of the Corporate Governance and Standards Committee. Officers are now of the view that approval of the AGS is probably a non-Executive function and should be carried out either by the full Council or, in common with many councils which

have delegated the function to an audit (or equivalent) committee, by the Corporate Governance and Standards Committee.

- 3.4 The Council is also required by the 2015 Regulations provide to ensure that it has a sound system of internal control which:
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk.
- 3.5 The Council must review of the effectiveness of the system of internal control for each financial year and at the same time prepare the AGS. The AGS is the mechanism by which this review is undertaken.
- 3.6 It is clear that the relevant item in the existing terms of reference of the Corporate Governance and Standards Committee requires an update to actually refer to the AGS. The terms of reference currently state under Corporate Governance Activity:
- “(14) To consider the Council’s statement on internal control and to recommend its adoption.”*
- 3.7 It is therefore suggested that we clarify the terms of reference by referring specifically to the AGS and that the Corporate Governance and Standards Committee has authority to formally approve it each year.

4. Financial Implications

- 4.1 There are no financial implications associated with the proposal in this report.

5. Legal Implications

- 5.1 In order to comply with Regulation 6 (1) (b) of the 2015 Regulations, the Council must prepare an AGS in respect of each financial year. A committee of the Council, or the Council itself, may approve the AGS.
- 5.2 Regulation 6 (4) states that the AGS must be approved in advance of the Council approving the statement of accounts. The terms of reference of the Corporate Governance and Standards Committee includes approval of the statement of accounts each year.
- 5.3 Regulation 10 of the 2015 Regulations requires the Council to publish the AGS alongside the adopted statement of accounts each year.
- 5.4 The government introduced changes to the 2015 Regulations as a consequence of the pandemic to extend the statutory audit deadline for 2020-21 and 2021-22

for all local authorities. The publication date for audited accounts will move from 31 July to 30 September 2021 for all local authority bodies.

- 5.5 If the Council agrees the suggested amendment to the terms of reference of the Corporate Governance and Standards Committee, this year's AGS will be considered initially by the Executive on 20 July, and then by the Corporate Governance and Standards Committee on 29 July, which would be invited to approve the AGS taking into consideration any comments/recommendations submitted by the Executive. The final statement of accounts for 2020-21 are scheduled for adoption by the Corporate Governance and Standards Committee at the end of September.

6. Human Resource Implications

- 6.1 There are no HR implications associated with the proposal in this report.

7. Equality and Diversity Implications

- 7.1 There are no equality and diversity implications associated with the proposal in this report.

8. Climate Change/Sustainability Implications

- 8.1 There are no climate change/sustainability implications associated with the proposal in this report.

9. Summary of Options

- 9.1 The options open to the Council are:
- (1) To agree that formal approval of the Annual Governance Statement should be undertaken by resolution of the Corporate Governance and Standards Committee (RECOMMENDED OPTION)
 - (2) To agree that formal approval of the Annual Governance Statement should be undertaken by resolution of full Council.

If the Council is minded to reserve the decision to approve the AGS to full Council, it is suggested that the terms of reference of the Corporate Governance and Standards Committee be amended as follows:

“(14) To consider the Council's Annual Governance Statement and to recommend its adoption by full Council.”

However, this would create an administrative problem this year as we would have to convene an extraordinary meeting of the Council before the September meeting of the Corporate Governance and Standards Committee when it is scheduled to consider the adoption of the statement of accounts.

10. Conclusion

- 10.1 For the reasons stated above, the Council is invited to consider the proposed amendment to the terms of reference of the Governance and Standards Committee.

11. Background Papers

None

12. Appendices

None