

Civic Centre, Castle Street,  
Merthyr Tydfil, CF47 8AN

Main Tel: 01685 725000

www.merthyr.gov.uk



Cyngor Bwrdeistref Sirol  
**MERTHYR TUDFUL**  
**MERTHYR TYDFIL**  
County Borough Council

## **AUDIT COMMITTEE**

Date Written	23 <sup>rd</sup> July 2020
Report Author	Mark Thomas/Gary Evans
Exempt/Non Exempt	Non Exempt
Committee Date	3 <sup>rd</sup> August 2020

*To: Chair, Ladies and Gentlemen*

## **DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20**

### **1.0 SUMMARY OF THE REPORT**

- 1.1 The Council, as part of its arrangements for corporate governance, is required to undertake an annual review of internal control and governance and the resulting Annual Governance Statement (AGS) must be included within the Statement of Accounts.
- 1.2 The AGS therefore provides an assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made.
- 1.3 From the review, assessment and on-going monitoring work undertaken we have reached the opinion that there is general compliance with existing governance arrangements, but there are a number of improvements identified that need to be implemented to strengthen arrangements. The support of the Improvement and Assurance Board will assist us in addressing the challenges the Council continues to face.
- 1.4 The AGS will be reviewed as part of the external audit on the Statement of Accounts and should reflect any governance issues right up to the date that the Auditor General for Wales signs off the Statement of Accounts for 2019/2020. Therefore, the impact of the COVID 19 pandemic has been considered and is included within the AGS.

## **2.0 RECOMMENDATIONS that**

- 2.1 The draft Annual Governance Statement for 2019/2020 be recommended for adoption by the Leader and Chief Executive.

## **3.0 INTRODUCTION AND BACKGROUND**

- 3.1 The Accounts and Audit (Wales) Regulations 2014, as amended from time to time, requires each Local Authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and the governance arrangements with its Annual Statement of Accounts.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Recommended Practice (the code) states that the preparation and publication of an Annual Governance Statement in accordance with "Delivering Good Governance in Local Government" fulfils the statutory requirement regarding the production of a statement of internal control in England, Wales and Northern Ireland.
- 3.3 In 2016, CIPFA published its new "Delivering Good Governance in Local Government Framework", which positions the attainment of sustainable economic, social and environmental outcomes as a key focus of governance processes and structures. The Guidance has considered the requirements of the Well-being of Future Generations (Wales) Act 2015 and embedded the five ways of working into the CIPFA framework.
- 3.4 As with all the work undertaken by the Council, the AGS reflects the Council's responsibilities under the Well-being of Future Generations (Wales) Act 2015. The Council recognises the need to ensure that in line with the sustainable development principle account of how our decisions may impact on future generations is taken. The Council has embedded the five ways of working across its activities and in delivering our priorities we will maximise or contribution to the seven national Well-being Goals.

### **Key Issues for Consideration**

- 3.5 Good corporate governance requires the active participation of Members and Officers across the Council. These arrangements are reviewed on an annual basis and the findings used to update the AGS. This helps to ensure the continuous improvement of the Council's corporate governance culture. The inclusion of the AGS within the Statement of Accounts provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made.
- 3.6 The draft AGS for the 2019/20 financial year is attached at Appendix A. This Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31st March 2020.

- 3.7 From the review, assessment and on-going monitoring work undertaken we have reached the opinion that there is general compliance with existing governance arrangements, but there are a number of improvements identified that need to be implemented to strengthen arrangements. The support of the Improvement and Assurance Board will assist us in addressing the challenges the Council continues to face.
- 3.8 One of the main issues raised and highlighted over the last few years has been the ability of the Council to carry on meeting service objectives and delivering positive outcomes for its customers and clients whilst meeting the continuing challenges of year on year reductions in Council funding and the impact this has on the services delivered.
- 3.9 The increased settlement for 2020/21 has enabled the Council to agree a budget that started to address some of the financial and service pressures facing it. However, the COVID19 pandemic will impact on the Council's financial position during 2020/21 and this will be monitored closely and is identified as a governance issue within the AGS.
- 3.10 From the review, assessment and on-going monitoring work undertaken we have reached the opinion that there is general compliance with existing governance arrangements, but there are a number of improvements identified that need to be implemented to strengthen arrangements. The support of the Improvement and Assurance Board will assist the Council to address the challenges it continues to face.
- 3.11 The AGS will be reviewed as part of the external audit on the Statement of Accounts and should reflect any governance issues right up to the date that the Auditor General for Wales signs off the Statement of Accounts for 2019/2020. Hence the impact of COVID 19 pandemic has been included.
- 3.12 Following completion of the first draft of the MTCBC Annual Internal Audit Report 2019-20 and the outcomes of this audit committee meeting, the council reserves its position regarding the final judgement in the report. The council has requested further evidence to support this judgement and will need to consider any such evidence together with information arising from the debate within Audit Committee prior to approval.

#### **4.0 FINANCIAL IMPLICATION(S)**

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

**ELLIS COOPER**  
**CHIEF EXECUTIVE**

**COUNCILLOR ANDREW BARRY**  
**CABINET MEMBER FOR GOVERNANCE**  
**AND CORPORATE SERVICES**

<b>BACKGROUND PAPERS</b>		
<b>Title of Document(s)</b>	<b>Document(s) Date</b>	<b>Document Location</b>
AGS checklist and evaluation documents	2019/2020	Audit Service
<b>Does the report contain any issue that may impact the Council's Constitution?</b>		<b>No</b>