

**Wiltshire Council**

**Audit and Governance Committee**

**18 November 2020**

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**Subject: Annual Governance Statement 2019/20**

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**Executive Summary**

The Annual Governance Statement for Wiltshire Council should demonstrate how the Council is meeting the principles of good governance adopted in its Code of Corporate Governance. A statement has been prepared based on the local code of corporate governance adopted by full council as part of the Constitution. The statement reflects discussion on the initial draft at the Audit Committee on 22 July as well as feedback received from the external auditors.

**Proposal(s)**

The Audit Committee is asked to agree the Annual Governance Statement for 2019/20 at Appendix 1.

**Reason for Proposal**

The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2019/20. This will be signed by the Leader of the Council and the Chief Executive after final approval by the Audit Committee. The AGS will form part of the Annual Statement of Accounts for 2019/20.

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#### **Purpose of Report**

1. To ask the Audit Committee to agree the Annual Governance Statement for 2019/20.

#### **Background**

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2019/20. This will be signed by the Leader of the Council and the Chief Executive after final approval by the Audit Committee. The AGS will form part of the Annual Statement of Accounts for 2019/20.
3. The format of the AGS follows advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), with an onus on making it focused and readable. This is also the format of the [Local Code of Corporate Governance](#) that full council adopted as part of the Constitution on 9 July 2019.
4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the principles of good governance adopted in its Code of Corporate Governance. These principles aim to ensure the Council is:
  - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - Ensuring openness and comprehensive stakeholder engagement.
  - Defining outcomes in terms of sustainable economic, social and environmental benefits.
  - Determining the interventions necessary to optimise the achievement of intended outcomes.
  - Developing capacity, including the capacity of the Council's leadership and the individuals within it.
  - Managing risks and performance through robust internal controls and strong public financial management.
  - Implementing good practices in transparency, reporting and audit to deliver accountability.

5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2019/20, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts. This date has been extended from June under the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020. The AGS should outline the actions taken or proposed to address any significant governance issues identified.
6. The AGS is drafted by senior officers who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead officers within the organisation, internal and external auditors and inspection agencies.
7. In last year's Annual Governance Statement the Council identified a number of areas where further improvements could be made to strengthen its governance framework. These were set out in the last report to Audit Committee and where appropriate have been rolled forward into the AGS for 2019/20.

### **Main Consideration for the Council AGS - Content**

8. An AGS for 2019/20 is attached at Appendix 1. This has been updated in the light of the observations of Audit Committee on 22 July as well as external audit (Deloitte). The Council's internal auditors, SWAP, have given an overall audit opinion of reasonable assurance on the effectiveness of the Council's control environment for 2019/20.
9. The final sections of the AGS require the Council to identify any significant internal control issues affecting the Council during the relevant period. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:
  - the issue has seriously prejudiced or prevented achievement of a principal objective;
  - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
  - the issue has led to a material impact on the accounts;
  - the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
  - the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
  - the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
  - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
10. The response to the COVID-19 pandemic will have immediate and undoubtedly long lasting significant financial implications for Wiltshire's economy, communities and residents as well as the Council itself. The magnitude and far reaching consequences of this unprecedented situation represents a significant governance issue for the Council, which

will be addressed through the Recovery Plan agreed by the Recovery Co-ordinating Group of the LRF and endorsed by Cabinet on behalf of the Council.

11. Areas for improvement in governance arrangements will need to be considered through the lens of recovery as work progresses under the themes of the Recovery Plan. Subject to this, the following areas for improvement have been identified at this stage:
  - Deliver policy and training to embed social value across the council
  - Promote with staff 'EPIC values' (Empowering People to Innovate and Collaborate) and an updated code of conduct, replacing the previous Behaviours framework
  - Implement a new VCS strategy and review the Wiltshire Compact
  - Pilot a multi-year outcome-based planning process aligned to budget build (when spending reviews permit)
  - Review approach to service delegation and asset transfer and One Public Estate
  - Review the effectiveness of the commercial policy and current procurement and commissioning approaches.
  - Embed good commissioning and contract management as part of staff job descriptions.
  - Rollout training and awareness on decision making processes
  - Work with partners to complete a multi-agency evaluation of the response to the pandemic
  - Review how performance can be communicated to the public to deliver maximum openness and transparency.
  - Align organisational processes more closely to the outcomes in the Business Plan and the Recovery Plan to ensure a focus on the resources used and outcomes achieved
  
12. The Council's external auditors, Deloitte LLP, have been consulted on the draft AGS and their comments reflected in the final draft. This includes recognition that the Council has been working to agree an approach to a technical disclosure query associated with fixed asset accounting and more specifically historical balances within the revaluation reserve and capital adjustment account. The Council has accepted an 'except for' qualification on these accounts to ensure progress to conclusion of the audit opinion for 2018/19 and 2019/20. Details of this conclusion and opinion can be found in the auditor's ISA 260 reports and steps have been taken to address. The issue is also covered separately on the agenda in the report on the annual accounts.

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## **Appendices**

Appendix 1 Wiltshire Council's Annual Governance Statement 2019/20