

Birmingham City Council

Audit Committee

24th April 2024



Subject: Updated Draft Annual Governance Statements for 2020/21 and 2021/22

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Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1 Executive Summary

- 1.1 To date the Council has not signed off its 2020/21 and 2021/22 Annual Statement of Accounts. The draft Annual Governance Statements (AGS) for these years were brought to the Audit Committee on the 29th June and 19th October 2021 (in relation to the 2020/21 AGS) and the 28th September 2022 (in relation to the 2021/22 AGS). A further update, including a short addendum, was presented to Audit Committee on the 28th March 2023.
- 1.2 This report presents the draft AGS for 2020/21 and the draft AGS 2021/22 including as previously presented but with a significantly enhanced addendum to reflect the significant governance issues that impact on the final accounts for consideration by Audit Committee. The Addendum reflects the most significant governance matters identified since the 31st March 2024 for each financial year AGS.
- 1.3 The final version of the Annual Statement of Accounts for these two financial years are due to be signed off shortly and therefore, the two AGS's as amended by this addendum will subsequently be signed off by the Chief Executive and the

Leader of the Council and incorporated into these Council's accounts.

2 Recommendation(s)

- 2.1 Audit Committee is requested to consider if the updated draft AGS's at Appendix A (2020/21) and Appendix B (2021/22) as amended by the addendum Appendix C are consistent with its own perspective on internal control within the Council during that time and the definition of significant governance and control issues given in paragraph 3.12. Any suggested amendments can then be actioned in advance of the AGS's inclusion in the Council's Annual Statement of Account for these two financial years.

3 Background

- 3.1 The Council is required to include an Annual Governance Statement (AGS) as part of the Annual Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Leader of the Council.
- 3.2 Unfortunately, the Council's Statement of Account for 2020/21 and 2021/22 have not yet been signed off by the Council.
- 3.3 Draft AGS's for each financial year were considered by the Audit Committee on the 29th June and 19th October 2021 (for the 2020/21 AGS) and the 28th September 2022 (for the 2021/22 AGS) and again on the 28th March 2023.
- 3.4 Given the time that has now passed it has been necessary for the two AGS's to be updated via addendum to reflect the current governance position. It is hoped that the relevant Statements of Accounts will be signed off shortly and the updated AGS's will then be signed.
- 3.5 The two draft AGS's appended to this report include the original AGS documents approved by Audit Committee and an additional addendum to bring the documents up to date.
- 3.6 Further draft AGS's for 2022/23 and 2023/24 are being prepared and will be brought to Audit Committee in the near future. Information from the addendum presented with this paper should be noted due to the significant governance impact and the action plan arising.

- 3.7 The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.
- 3.7 The draft AGS's are presented to the Audit Committee in order to ensure that they reasonably reflect the Committee's knowledge and experience of the Council's governance and control during the relevant periods covered.

The Annual Governance Statement

3.9 The draft AGS has been compiled by officers upon the following:

- A review of the extent to which the Council has complied with each element of its governance requirements;
- A review of the Council's governance arrangements, based on the CIPFA/Solace Delivering Good Governance in Local Government Framework.
- Self-assurance statements prepared by directors and input from the Corporate Leadership Team;
- Internal Audit's and External Audit's opinion on the Council's compliance with its own governance arrangements.

3.10 The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (Solace). The key elements identified in the Statement are:

- The Council's responsibilities for ensuring a sound system of governance;
- An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
- An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
- The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
- Reference to how issues raised in the previous year's Statement have been resolved;
- A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

3.11 'Significant Governance Issues' are those that:

- Seriously prejudice or prevent achievement of a principal objective of the authority;
- Have resulted in the 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;

- Have led to a material impact on the accounts;
- The Audit Committee advises should be considered significant for this purpose;
- Internal Audit reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- Have resulted in formal action being undertaken by the Section 151 Officer and/or the Monitoring Officer.

4 Options considered and Recommended Proposal

4.1 The Council has a statutory requirement to provide an Annual Governance Statement with its Annual Statement of Accounts. Therefore, there are no alternative options to be considered in relation to the preparation of an AGS.

4.2 However, the use of an addendum rather than a complete re-write of the historic 2020/21 and 2021/22 AGS was considered a resource efficient approach and also in line with CIPFA guidance as set out in “CIPFA Bulletin 16 February 2024 – Local audit delays and the publication of the annual governance statement” and it is recommended that the Audit Committee consider the draft AGS’s in Appendix A and Appendix B and the Addendum Appendix C together to ensure they reflect the Audit Committee’s understanding of the governance framework and its effectiveness for those accounting periods and the impact of governance issues up to 31st March 2024.

5 Legal Implications

5.1 The deliver of an Annual Governance Statement is a statutory requirement which enhances reporting on governance issues.

6 Financial Implications

6.1 There are no financial implications.

7 Public Sector Equality Duty

7.1 There are no impact on the Council’s equality duty.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council’s priorities, plans and strategies?

It is a statutory responsibility to publish an Annual Governance Statement.

9 Background Papers

9.1 None

10 Appendices

10.1 Appendix A – Annual Governance Statement 2020/21

10.2 Appendix B – Annual Governance Statement 2021/22

10.3 Appendix C – Addendum for Annual Governance Statements for Accounting Periods 2020/21 and 2021/22