

Audit and Governance Committee

21 June 2017

Report of the Director of Customer & Corporate Services (Deputy Chief Executive)

Annual Governance Statement 2016/17

Summary

- 1 The purpose of this report is to present the draft Annual Governance Statement (AGS) 2016/17 for approval. The AGS is attached as Annex A and a signed version as agreed by the Leader and Chief Executive of the council will accompany the Statement of Accounts 2016/17.
- 2 The AGS continues to form part of the Statement of Accounts, however it is now considered as an accompanying document rather than a core statement. The Draft Statement of Accounts will be approved by the S151 Officer by the 30th June and will be reviewed by this Committee at the meeting in July 2017. The final version of the Statement of Accounts will be approved by this Committee, at the meeting in September 2017.
- 3 During 2016/17, a Local Code of Corporate Governance was adopted by this Committee in line with the latest best practice set out in the updated framework and guidance notes issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and is now available on the Councils website along with links to relevant policies/ guidance. This document is attached as an Annex to the Annual Governance Statement as it will be considered alongside the AGS each year during the preparation process.
- 4 A review of the format of the Annual Governance Statement was carried out last year ensuring the format is consistent with other local authorities and compliant with statutory guidance, The Statement is audited each year as part of the Annual

external audit on the Statement of Accounts. There have been no concerns brought to officers or members attention during this time and the Statement is compliant with statutory guidance.

- 5 Members requested information on the option of an external Governance Review. This service could be carried out by a number of professional firms across the country, including the Council's current Auditors Mazars. If such a review was carried out this would need to be subject to the Council's Procurement rules in appointing the supplier to carry out the work.
- 6 Members should note there is currently no budget to carry out such a review, therefore any decision would need to be supported by Executive and budget made available.

Background

- 7 The Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to conduct a review of the effectiveness of systems of internal control and to publish Statements of Internal Control (SIC) as part of the annual accounts.
- 8 In 2016, CIPFA/SOLACE published an updated Framework document entitled "*Delivering Good Governance in Local Government*" which set out seven core principles of governance and a number of sub principles which in turn translate into a range of specific behaviours and actions that apply across the Council to demonstrate good governance. In response to this the Council adopted an updated Local Code of Corporate Governance which is referred to within this document and links to current policies and guidance which demonstrate compliance.
- 9 The Framework introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC from 2007/08 onwards. In preparing the AGS it is necessary to address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

Preparation Process

- 10 Both the significant governance issues and more general issues facing the Council are presented in the table at section 5 in the AGS along with details of actions taken/ planned, and where follow up reports will be taken to allow transparent monitoring during the year.
- 11 In compiling the 2016/17 AGS, a range of sources of evidence have been gathered and analysed. These have then been reviewed by the Officer Governance, Risk and Assurance Group (GRAG), which includes senior management and internal audit, to consider the following:
 - (a) the adequacy and effectiveness of key controls, both within individual directorates and across the council
 - (b) any control weaknesses or issues identified by the Section 151 Officer and Monitoring Officer
 - (c) any control weaknesses or issues identified and included in the annual report of the Head of Internal Audit, presented to the council's Audit and Governance Committee
 - (d) significant issues and recommendations included in reports received from the external auditors, Mazars/ or other inspection agencies;
 - (e) the results of internal audit and fraud investigation work undertaken during the period;
 - (f) the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks;
 - (g) the council's risk register and any other issues highlighted through the Council's risk management arrangements
 - (h) the outcomes of service improvement reviews and performance management processes
 - (i) progress in dealing with control issues identified in the 2015/16 Annual Governance Statement.
 - (j) The councils counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption
- 12 Local authorities are required to use judgement in deciding whether control weaknesses are significant and hence require

disclosure in the AGS. The Governance, Risk and Assurance Group (GRAG) have therefore evaluated all the control issues identified through the review process and considered which should be disclosed in the AGS as a significant control weakness. A control weakness is considered to be significant where:

- a) the issue has seriously prejudiced or prevented achievement of a principal council aim or objective;
- b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from another aspect of the council's services;
- c) the issue has led to a material impact on the accounts;
- d) the Audit and Governance Committee has advised that it should be considered significant for this purpose;
- e) the Head of Internal Audit has reported on it as significant in the annual opinion on the Council's internal control environment;
- f) the issue, or its impact, has attracted significant public interest or has seriously damaged the council's reputation;
- g) the issue has resulted in formal action being taken by the S151 Officer and/or the Monitoring Officer.

13 The items that the Governance, Risk and Assurance Group (GRAG) have agreed meet the criteria above have been published within Section 5 of the AGS in the enhanced Issues disclosure table.

Monitoring of AGS Action Plans

14 The Governance, Risk and Assurance Group (GRAG) will have oversight and regularly monitor the progress of all AGS actions. Follow up reports will also be brought back to the relevant Committees during the year as set out in the Significant Issues table to keep members updated on the progress being made in improving the issues raised.

- 15 The Governance, Risk and Assurance Group will also continue to monitor the Local Code of Corporate Governance during the year, bringing any updates required to the Code to the committee's attention.

Consultation

- 16 Not relevant for the purposes of this report

Options

- 17 Not relevant for the purpose of the report.

Analysis

- 18 Not relevant for the purpose of the report.

Corporate Priorities

- 19 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It specifically contributes to the Effective Organisation priority in the Corporate Strategy.

Implications

- 20 The implications are;
- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the AGS and that it will form part of the published statement of Accounts for 2016/17.
 - **Human Resources (HR)** – there are no HR implications to this report.
 - **Equalities** - there are no equalities implications to this report.
 - **Legal** - there is a legal requirement for the council to publish an Annual Governance Statement as part of the annual Statement of Accounts.
 - **Crime and Disorder** – there are no crime and disorder implications to this report.
 - **Information Technology (IT)** - there are no IT implications to this report.

- **Property** - there are no property implications to this report.

Risk Management Assessment

21 The council will fail to comply with legislative requirements if it does not publish an Annual Governance Statement with the annual Statement of Accounts. The council would be criticised by the external auditor if the process followed to prepare the Annual Governance Statement was not sufficiently robust.

Recommendation

Members are asked to consider and approve the AGS 2016/17, particularly the significant governance issues identified in section 5 of the Statement.

Reason: To enable Members to consider the effectiveness of the council’s governance framework, and in particular the significant control issues.

Contact Details

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Report Approved



Date 13 June 2017

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- CIPFA/SOLACE – ‘Delivering Good Governance in Local Government’ – Framework and Guidance Note for English Authorities’ (2007)
- CIPFA/SOLACE – Application Note to Delivering Good Governance in Local Government:a Framework (March 2010)
- CIPFA/ SOLACE Delivering Good Governance in Local Government Framework (2016)
- Accounts and Audit Regulations 2015
- 2015/16 Annual Governance Statement
- Local Code of Corporate Governance
- CIPFA – The role of the Chief Finance Officer (2015)

Annexes

Annex A – Draft Annual Governance Statement 2016/17