

Audit and Governance Committee

22nd June 2016

Report of the Director of Customer & Business Support Services

Annual Governance Statement 2015/16

Summary

1. The purpose of this report is to present the draft Annual Governance Statement (AGS) 2015/16 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 2015/16.
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 2016. The final version of the Statement of Accounts will be approved by this Committee, at the meeting in September 2016.
3. During the preparation process for the 15/16 AGS, the latest guidance and governance statements of a number of other authorities were reviewed in order to compare both the style of presentation and content to enable the AGS for York to include any additional best practice on top of the basic requirements set out in CIPFA/ SOLACE Framework – ‘Delivering Good Governance in Local Government’ which the Council already meets. The Chief Executive and Leader of the Council have also both reviewed the Statement as part of the preparation process.

Background

4. 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.

5. In 2007, CIPFA/SOLACE published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework*' set out six core principles of governance which authorities are required to adopt. In accordance with this requirement, the council has a local Code of Governance which reflects the CIPFA/SOLACE framework.
6. 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

7. In compiling the 2015/16 AGS, the Governance Statement of the Authorities set out below were reviewed. Copies of the Authorities Governance Statements can be found within their Statement of Accounts at the links below.

- a. North Yorkshire County Council

<http://www.northyorks.gov.uk/article/26180/Financial-information>

- b. Calderdale Council

<http://www.calderdale.gov.uk/council/finances/accounts/>

- c. Bath and North East Somerset Council

<http://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts>

- d. Hull Council

http://www.hullcc.gov.uk/portal/page?_pageid=221,139503&_dad=portal&_schema=PORTAL

8. The review confirmed that whilst there are a number of

presentational options used by other authorities, the content of York Council's AGS is compliant with both recent and statutory guidance, and is comparable to similar Authorities.

9. The presentation of the significant governance issues in the 2015-16 AGS has been enhanced to a table format in 2015/16 and expanded to also include more general issues relating to service delivery and national challenges which whilst not significant governance issues in themselves represent important issues which affect the Council across all areas. This includes in particular the financial challenges, the Local Plan, Adult Social Care and Devolution. This approach is in line with other Councils preparation of Governance statements
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 2015/16 AGS, a range of sources of evidence have been gathered and analysed. These have then been reviewed by the Officer Governance and Assurance Group (GAG), 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 2014/15 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 and Assurance Group (GAG) 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 and Advisory Group (GAG) have agreed meet the criteria above have been

published within Section 5 of the AGS in the enhanced issues disclosure table as set out in paragraphs 9-10.

Monitoring of AGS Action Plans

14. The Governance and Assurance Group (GAG) 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.

Consultation

15. Not relevant for the purposes of this report

Options

16. Not relevant for the purpose of the report.

Analysis

17. Not relevant for the purpose of the report.

Corporate Priorities

18. 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

19. 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 2015/16.
 - **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

20. 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

21. Members are asked to consider and approve the AGS 2015/16, 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.

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**Report
Approved**



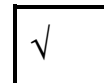
Date 14 June
2016

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)
- Accounts and Audit Regulations 2011
- 2014/15 Annual Governance Statement
- CIPFA – The role of the Chief Finance Officer (2010)

Annexes

Annex A – Draft Annual Governance Statement 2015/16