

AUDIT COMMITTEE

22 JUNE 2017

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.2 ANNUAL GOVERNANCE STATEMENT 2016/17

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek approval of the Annual Governance Statement for 2016/17.

EXECUTIVE SUMMARY

- Local Authorities are required to conduct a review of the effectiveness of the system of internal control, and prepare an Annual Governance Statement.
- A new format has been devised for the Annual Governance Statement to inform Members and the public in a proactive way of the effectiveness of Council's governance arrangements, and the roles and responsibilities of those who perform key functions within those arrangements as summarised in the following chart.



- The Annual Governance Statement has been drafted taking account of the new CIPFA / SOLACE framework.

RECOMMENDATION(S)

That the Annual Governance Statement be approved.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The Annual Governance Statement helps to communicate the Council's underlying governance arrangements in delivery against its key priorities and objectives.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

There are no direct financial implications arising from this report.

Risk

The inclusion on the Audit Committee's work programme responds to the risk of not undertaking an annual review of the effectiveness of the Council's system of internal control, or producing an Annual Governance Statement, the production of which protects the Council's reputation and demonstrates the Council's commitment to the development and maintenance of the core principals of good governance.

LEGAL

Regulation 6(1) of The Accounts and Audit Regulations 2015 requires an authority to each financial year: -

- a) Conduct a review of the effectiveness of the system of internal control
- b) Prepare an annual governance statement

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA / Solace Delivering Good Governance in Local Government Framework (2016) fulfils the statutory requirements above.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications with such matters forming part of the overall governance framework that is considered in the production of the Annual Governance Statement.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Council is required to maintain a Code of Corporate Governance, to undertake a review of the effectiveness of its system of internal control and produce an Annual Governance Statement each year.

CIPFA / Solace updated their framework for "Delivering Good Governance in Local Government" in 2016, and a new Code of Corporate Governance was approved by the Committee in January 2017. It is therefore necessary at this time to produce an Annual Governance Statement that is consistent with the revised CIPFA / SOLACE Framework, takes into account the new Code of Corporate Governance, and considers the effectiveness of the Council's governance arrangements.

The changes to the framework have provided an opportunity to provide a refresh of the design of the Annual Governance Statement to inform Members and the public in a proactive way of the effectiveness of the Council's governance arrangements and to provide detail regarding the roles and responsibilities of those who perform key functions within those arrangements.

CURRENT POSITION

The Council has previously approved and adopted a Code of Corporate Governance, at the meeting of the Audit Committee on 26th January 2017. This Code remains current until such time as an amended version is submitted to Members for approval.

CIPFA / SOLACE published a new framework for delivering good governance in Local Government during 2016. This new framework is applicable to Annual Governance Statements prepared for the financial year 2016/17 onwards, and therefore this is the first statement prepared in accordance with that new framework.

The CIPFA / SOLACE framework identifies that an Annual Governance Statement should include: -

- An acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the Council's Code of Governance.
- Reference to and 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, such as the Authority, the Executive, the Audit Committee, Internal Audit, and others as appropriate.
- An opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 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 annual governance statement have been resolved.
- A conclusion – a commitment to monitoring implementation as part of the next annual review.

The CIPFA / SOLACE framework requires the Annual Governance Statement to be approved at a meeting of the Authority, or a delegated committee - this role has been delegated to the Audit Committee. The framework also requires that the Statement be signed by the Leader of the Council and the Chief Executive, on behalf of the Council.

The CIPFA / Solace framework no longer provides a model statement that can be adopted, and it is up to each Authority to produce a compliant statement in a form of their choosing. The format adopted reflects the structure identified in the CIPFA / SOLACE framework above.

The Annual Governance Statement for 2016/17 is attached as **Appendix A** and is submitted for approval by the Committee. It will then be subject to audit by the Council's external auditors, following which it must be signed by the Leader of the Council and the Chief Executive, and appended to the Council's Statement of Accounts. If any changes are required following audit, then a revised Annual Governance Statement will require the Committee's approval.

The Leader of the Council and the Chief Executive are required to be advised of the implications of the results of the annual review of the governance framework and that actions are in place to address any weaknesses. In this respect, the Governance Framework in place for 2016/17 was considered to be robust with improvements made during the year, and significant issues that did arise identified. A number of ongoing or forthcoming items have been identified for progressing in 2017/18. To monitor progress, these improvement items will be reported to Members as appropriate.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Annual Governance Statement 2016/17