

**ANNUAL GOVERNANCE STATEMENT 2016/17**

<u>Report of the:</u>	Head of Corporate Governance
<u>Contact:</u>	Gillian McTaggart
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	
<u>Annexes/Appendices (attached):</u>	<u>Annexe 1</u> - Draft Annual Governance Statement 2016/17
<u>Other available papers (not attached):</u>	Annual Governance Statement 2015/16 Code of Corporate Governance 2016/17

**REPORT SUMMARY**

This report seeks the Committee's formal approval of the draft Annual Governance Statement (AGS) and the arrangements made for its preparation as part of the 2016/17 financial statements.

**RECOMMENDATION (S)**

The Committee is asked to :-

- (1) Confirm the adequacy of the arrangements made for preparing the Annual Governance Statement.
- (2) Consider and endorse the 2016/17 AGS prior to it being certified by the Chief Executive and the Chairman of Strategy & Resources
- (3) Give delegated authority to the acting Director of Finance & Resources to make any required amendments prior to its submission with the Statement of Accounts.

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 Corporate governance affects all aspects of our services because it relates to the framework in which decisions are made. It is defined as the system by which local authorities direct and control their functions and relate to their communities.

- 1.2 The AGS underpins everything that we do and supports our core values of openness and integrity.
- 1.3 The Committee's terms of reference covers the responsibility for review and approval of the AGS

## **2 Background**

- 2.1 Our governance arrangements aim to ensure that we set and meet objectives, acting lawfully, openly and honestly. All monies and resources are accounted for, safeguarded and used economically, efficiently and effectively.
- 2.2 The Accounts and Audit (England) Regulations 2015 require that councils produce a statement to cover their whole internal control environment, both financial and non-financial. The Annual Governance Statement is designed to provide assurance concerning our governance arrangements

## **3 Proposals**

- 3.1 We are committed to the principles of good governance and have adopted the principles contained within the latest guidance issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) "Delivering Good Governance in Local Government" which was updated in 2016.
- 3.2 To reflect changes in the guidance, our Code of Corporate Governance was updated and agreed by the Strategy and Resources Committee in April 2017. This reflects the seven new principles which are:

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.

Principle B - Ensuring openness and comprehensive stakeholder engagement.

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

Principle D - Determining the interventions necessary to optimize the achievement of the intended outcomes.

Principle E - Developing the Council's capacity, including the capability of its leadership and the individuals within it.

Principle F- Managing the risks and performance through robust internal control and strong public financial management.

Principle G - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- 3.3 The framework brings together an underlying set of legislative requirements, good practice principles and management processes.
- The work of internal and external audit
  - The risk management framework
  - Corporate assurance framework
  - Arrangements for business continuity
  - Performance management framework
  - Divisional assurance statements are completed annually by the Heads of Service
- 3.4 At least once a year a review must take place of the effectiveness of the systems of internal control. It is designed to manage risk at a reasonable level. We cannot eliminate all risk of failure to achieve policies and objectives and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and priorities the risk of achievements of our aims and objectives. To evaluate the likelihood of those risks being realized and the impact should they be realized and to manage them efficiently, effectively and economically.
- 3.5 To assist the Committee a summary of our governance framework is included at the end of the AGS. The governance framework has been in place for the year ended 31 March 2017. The AGS will be considered by the Strategy and Resources Committee as part of the approval of the Statement of the Accounts.
- 3.6 Previously the AGS contained a great deal of description about the governance arrangements, the best practice now requires an update on previous actions., a set of actions for 2016/17 and an opinion of the Council's governance arrangements. Included within this year's statement is:
- A review of the effectiveness of the Council's governance arrangements.
  - How the Council's complies with its code of governance.
  - A review of the action plan from 2015/16.
  - A conclusion and an action plan for 2016/17.
- 3.7 The AGS will be signed by the Chief Executive and the Chairman of the Strategy & Resources Committee.

#### **4 Financial and Manpower Implications**

- 4.1 There are no financial or manpower implications for the purpose of this report.
- 4.2 **Chief Finance Officer's comments:** *The Annual Governance Statement is a statutory requirement and will be subject to external audit alongside the Statement of Accounts 2016/17 for the Council.*

#### **5 Legal Implications (including implications for matters relating to equality)**

- 5.1 The AGS is a statutory requirement as set out in Regulation 4(2) of the Accounts and Audit Regulations 2011. In addition, updated guidance for its review was issued by CIPFA / SOLACE in 2016.
- 5.2 External Audit will review the statement as part of the audit of the 2016/17 financial statements.
- 5.3 The AGS must be included with statement of accounts.
- 5.4 **Monitoring Officer's comments:** *It is important that good governance is an integral part of how all functions are delivered, rather than being considered an issue to be considered separately by others.*

#### **6 Sustainability Policy and Community Safety Implications**

- 6.1 There are no implications for these areas for the purposes of this report.

#### **7 Partnerships**

- 7.1 There are no implications for these areas for the purposes of this report.

#### **8 Risk Assessment**

- 8.1 The completion of the AGS ensures our compliance with the Accounts and Audit Regulations and ensures effectiveness of the system of internal control encompassing internal audit and the role of the Scrutiny Committee as an Audit Committee.
- 8.2 The AGS forms an integral part of the corporate governance arrangements.
- 8.3 The significant control issues identified in the AGS reflect the high risk to the delivery of public services due to funding cuts and the significant changes to how Council's operate.

#### **9 Conclusion and Recommendations**

- 9.1 The Committee is asked to confirm the adequacy of the arrangements for the compilation of the AGS.

AUDIT, CRIME & DISORDER AND SCRUTINY COMMITTEE  
20 JUNE 2017

- 9.2 Responsibility for authorising the statement lies with the Chief Executive and the Chairman of the Strategy and Resources Committee.

**WARD(S) AFFECTED: (All Wards);**