

 Finance & Audit Scrutiny Committee 1 June 2016		Agenda Item No. 8
Title		Annual Governance Statement 2015/16
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
Service Area		Finance
Wards of the District directly affected		Not applicable
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No
Date and meeting when issue was last considered and relevant minute number		Finance & Audit Scrutiny Committee – 10 June 2015
Background Papers	Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2007) Delivering Good Governance in Local Government: Framework (Addendum) (CIPFA/SOLACE 2012) Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities (CIPFA/SOLACE 2012) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network)	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	N/A: no direct service implications

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive	15 May 2016	Chris Elliott
Section 151 Officer	15 May 2016	Mike Snow
Monitoring Officer	15 May 2016	Andrew Jones
Human Resources		
Finance	15 May 2016	As Section 151 Officer
Leader of the Council	15 May 2016	Councillor Mobbs
Portfolio Holder	15 May 2016	Councillor Whiting
Consultation and Community Engagement		
With members and officers listed above.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 **Summary**

1.1 This report sets out an Annual Governance Statement for 2015/16 describing the governance arrangements that were in place during the financial year. The Statement will be signed by the Chief Executive and the Leader of the Council and will accompany the Council's Statement of Accounts that is approved by Full Council.

1.2 An action plan to improve governance forms part of the Statement. The actions will be addressed by management in line with an agreed timetable. Progress in achieving these actions will be reported to Members quarterly.

2 **Recommendations**

2.1 That Committee approves the Annual Governance Statement for 2015/16 for Warwick District Council as set out at Appendix A.

3 **Reason for the Recommendations**

3.1 Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires that "A relevant authority must, each financial year...prepare (and approve) an annual governance statement."

4 **Alternative Option Considered**

4.1 The alternative option is not to provide an Annual Governance Statement for 2015/16 which would result in the Council being in breach of its statutory obligations.

5 **Budgetary Framework**

5.1 There are no direct budgetary implications from the production of the Annual Governance Statement.

6 **Policy Framework**

6.1 The proposals will assist the Council in furtherance of its priority of providing clear community leadership and effective management of resources whilst delivering responsive public services in an open and transparent manner.

7 **Risks**

7.1 Risk management is an intrinsic element of corporate governance. There are numerous risks associated with undertaking, or not undertaking, the Significant Governance Issues set out in section 5 of the Annual Governance Statement.

8 **Background to the Annual Governance Statement**

8.1 The production of an Annual Governance Statement is a statutory requirement for local authorities.

8.2 Regulation 6 of The Accounts and Audit (England) Regulations 2015 states (extract overleaf):

Review of internal control system

- 6.**—(1) A relevant authority must, each financial year—
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement;
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—
- (a) consider the findings of the review required by paragraph (1)(a)—
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.
- (3) If the relevant authority referred to in paragraph (1) is a Category 2 authority, following the review it must—
- (a) consider the findings of the review by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of members of the authority meeting as a whole.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be—
- (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts(a).

- 8.3 CIPFA/SOLACE emphasise that corporate governance is everyone's business and define it as:

"How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities." CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives)

9 Process for Completion of the Annual Governance Statement

- 9.1 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework are:

- a clear definition of the body's purpose and focusing on the outcomes for the community and creating and implementing a vision for the local area;
- members and officers are working together to achieve a common purpose with clearly defined functions and roles;

promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
developing the capacity and capability of members and officers to be effective; and
engaging with local people and other stakeholders to ensure robust public accountability.

Both the Annual Governance Statement and the Council's Code of Corporate Governance reflect these six themes.

- 9.2 The CIPFA Financial Advisory Network has published an advisory document entitled "The Annual Governance Statement: Rough Guide for Practitioners". Its advice is that the Annual Governance Statement is a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) have joint responsibility as signatories for its accuracy and completeness. It advises that it should be owned by all senior members and officers of the authority and that it is essential that there is buy-in at the top level of the organisation. It advises that the work associated with its production should not be delegated to a single officer.
- 9.3 The Leader and Chief Executive of the Council as signatories to the Annual Governance Statement need to ensure that it accurately reflects the governance framework for which they are responsible. In order to achieve this they will rely on many sources of assurance, such as that from:
- Deputy Chief Executives and Service Area Managers
 - the Responsible Financial Officer
 - the Monitoring Officer
 - Members
 - the Audit and Risk Manager
 - performance and risk management systems
 - third parties, e.g. partnerships
 - external audit and other review agencies.
- 9.4 'The Annual Governance Statement – Rough Guide for Practitioners' by CIPFA sets out the following stages in producing the Annual Governance Statement:

Objective 1, ESTABLISHING PRINCIPAL STATUTORY OBLIGATIONS AND ORGANISATIONAL OBJECTIVES

Step 1: Mechanisms established to identify principal statutory obligations

Step 2: Mechanisms in place to establish organisational objectives

Step 3: Effective Corporate Governance arrangements are embedded within the authority

Step 4: Performance management arrangements are in place

THEN apply the Six CIPFA/SOLACE Core Principles

(i) Focusing on purpose/outcomes and creating a vision for the local area

(ii) Members & officers working together to achieve common purpose with clearly defined functions & roles

(iii) Promoting values for the authority and demonstrating values of good governance through upholding high standards of conduct and behaviour

(iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

(v) Developing the capacity and capability of members and officers to be effective

(vi) Engaging with local people and other stakeholders to ensure robust public accountability

Objective 2, IDENTIFY PRINCIPAL RISKS TO ACHIEVEMENT OF OBJECTIVES

Step 1: The authority has robust systems and processes in place for the identification and management of strategic and operational risk

Objective 3, IDENTIFY AND EVALUATE KEY CONTROLS TO MANAGE PRINCIPAL RISKS

Step 1 - The authority has robust systems of internal control which includes systems and procedures to mitigate principal risks

Objective 4, OBTAIN ASSURANCES ON THE EFFECTIVENESS OF KEY CONTROLS

Step 1: Appropriate assurance statements are received from designated internal and external assurance providers

Objective 5, EVALUATE ASSURANCES AND IDENTIFY GAPS IN CONTROL/ASSURANCES

Step 1: Make adequate arrangements to identify, review and evaluate reports from the defined internal and external assurance providers to identify areas of weakness in controls

Objective 6, ACTION PLAN TO ADDRESS WEAKNESSES AND ENSURE CONTINUOUS IMPROVEMENT OF THE SYSTEM OF CORPORATE GOVERNANCE

Step 1: Robust mechanism to ensure that an appropriate action plan is agreed to address the identified control weaknesses and is implemented and monitored

Objective 7, ANNUAL GOVERNANCE STATEMENT

Step 1: Governance statement is drafted in accordance with regulations and timescales

Objective 8, REPORT TO CABINET / EXECUTIVE COMMITTEE

Step 1: Report in accordance with pro-forma

9.5 The Council's Annual Governance Statement has been produced in accordance with these stages, including following the pro-forma for the layout of the Statement as proposed in Objective 8.

9.6 Evidence sources collated for drafting the AGS were as follows:

- (a) Consultation with senior and key officers.
- (b) Assurances provided by Service Area Managers through the completion of Service Assurance Statements.
- (c) Consultation with a cross-party member review group comprising the Leader of the Council and the Committee Chairs.
- (d) Work undertaken during the year by Internal Audit and other inspection bodies.
- (e) Consultation with the council's External Auditors.
- (f) Review of progress against the previous year's AGS action plan, which was reported quarterly to the Finance & Audit Scrutiny Committee.

- 9.7 The process for drafting the AGS itself, and the systems of challenge and review were as follows (overleaf):
- (a) The information described above was collated and an early draft Statement was circulated to key officers for comment.
 - (b) The draft Statement was issued to the council's Senior Management Team and discussed at a meeting, with suggestions on issues to be included in the Action Plan.
 - (c) A cross party member review group considered the assurances supporting the AGS and provided comment on the early draft, including issues to be reflected in the Action Plan.
 - (d) Key officers, e.g. Chief Executive, S151 Officer, Monitoring Officer, Deputy Monitoring Officer, Head of HR & OD, considered and suggested issues to be reflected in the AGS and the Action Plan.
 - (e) The comments were amalgamated into a further draft that was then provided to members of the Senior Management Team for further challenge. The draft AGS and Action Plan were amended accordingly.
 - (f) The cross-party member review considered and provided comment on the final draft AGS and Action Plan.
 - (g) Comments from the member review group were incorporated into the document.
 - (h) The draft AGS issued to the Council's External Auditors for their views.
 - (i) Presentation to the Finance & Audit Scrutiny Committee for approval.