

 Finance and Audit Scrutiny Committee 10 June 2014		Agenda Item No. 5
Title	Annual Governance Statement 2013/14	
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	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	Standards Committee – 10 th June 2013	
Background Papers	Delivering Good Governance in Local Government & Delivering Good Governance in Local Government- Guidance Note for English Authorities; CIPFA/SOLACE 2007 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 / Deputy Chief Executive	23 May 2014	Chris Elliott
Section 151 Officer	23 May 2014	Mike Snow
Monitoring Officer	23 May 2014	Andrew Jones
Human Resources		
Finance	23 May 2014	As Section 151 Officer
Leader of the Council	23 May 2014	Councillor Mobbs
Consultation and Community Engagement		
None other than consultation 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 the Annual Governance Statement for 2013/2014 in draft. The Statement describes the governance arrangements that were in place during the financial year. The Statement is eventually to be signed by the Chief Executive and the Leader of the Council following reviews by this Committee and then Standards Committee.

2 RECOMMENDATIONS

- 2.1 That this Committee considers the Annual Governance Statement for the year ended 31st March 2014, set out as an appendix, and addresses its views to Standards Committee for its meeting in June.

3 REASON FOR THE RECOMMENDATIONS

- 3.1 Regulation 4 of the Accounts and Audit (England) Regulations 2011 requires that "...the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control."
- 3.2 The Public Sector Internal Audit Standards provide the "proper practices" referred to in Regulation 4.
- 3.3 The Council has designated the Standards Committee to approve the Annual Governance Statement. With its involvement in matters concerning governance and internal control, however, it is appropriate that Finance & Audit Scrutiny Committee should review the Annual Governance Statement in draft before it is finalised.

4 ALTERNATIVE OPTION CONSIDERED

- 4.1 The only alternative option was not to provide an Annual Governance Statement for 2013/14, which would almost certainly result in the Council being held in breach of its statutory obligations.

5 BUDGETARY FRAMEWORK

- 5.1 The Annual Governance Statement is produced by the staff employed by the authority within current resources.

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 attached to 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 4 of The Accounts and Audit (England) Regulations 2011 states:

Responsibility for financial management

4.—(1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

(2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

(3) The findings of the review referred to in paragraph (2) must be considered—

(a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and

(b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and

following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies—

(a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or

(b) any accounting statement it is obliged to prepare in accordance with regulation 12.

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)

8.4 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;
- 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.

- 8.5 The CIPFA financial advisory network has produced a so-called "rough guide for practitioners" on producing the Annual Governance Statement. Its advice is that this 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.
- 8.6 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 are likely to 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.
- 8.7 '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