

AUDIT COMMITTEE

Review of Governance and the Annual Governance Statement 2013/14 17 September 2014

Report of the Chief Executive

PURPOSE OF REPORT

To seek the Committee's approval for the draft Annual Governance Statement for the 2013/14 financial year.

This report is public

RECOMMENDATIONS

- (1) That the draft Annual Governance Statement for 2013/14 (attached as Appendix B) is approved for signing by the Leader of the Council, Chief Executive, Section 151 Officer and Monitoring Officer.

1.0 Introduction

- 1.1 The terms of reference of the Audit Committee include: *To monitor the effective development and operation of risk management and corporate governance by considering the effectiveness of the Council's adopted Code of Governance. Also to oversee the production of the authority's annual Governance Statement in accordance with the Accounts and Audit (England) Regulations 2011 and recommend its adoption.* (The Constitution, part 3 section 8).

2.0 Report

- 2.1 In relation to the production of a Governance Statement, "proper practices" are defined as those set out in a framework and guidance issued by CIPFA & SOLACE¹ during 2007, applying from the 2007/08 financial year onwards. Specifically, the Council is required to develop and maintain a Local Code of Corporate Governance (the current version was approved by Audit Committee on 19th September 2012) and to prepare a Governance Statement in order to report publicly on an annual basis on the extent to which the Council complies with its own Code.

3.0 Proposal Details

Review of Compliance with the Code of Governance

- 3.1 A review has been undertaken of the Council's position and performance against the Code of Governance approved in September 2012. The results of the evaluation exercise are demonstrated in the Overview Chart and the Evaluation Summary which

¹ "Delivering Good Governance in Local Government" – CIPFA & SOLACE 2007

are attached at Appendix A. Please note that these will be printed in black and white but may be viewed in colour on computer screens.

3.2 The Code of Corporate Governance consists of a set of seventy-eight elements within the following six core principles, which underpin a council's system of governance:

1. **Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.**
2. **Members and officers working together to achieve a common purpose with clearly defined functions and roles.**
3. **Promoting the values of the authority and demonstrating the values of good governance through behavior.**
4. **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**
5. **Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively.**
6. **Engaging with local people and other stakeholders to ensure robust local public accountability.**

Assurance

3.3 A document compiled to detail the identified “sources” of assurance for each element of the Code has again been updated. Sources of assurance range from a record of official policy and strategy documents such as the Constitution to the results of reviews such as Internal Audit and External Audit reports, to procedures such as one-to-one management meetings.

3.4 Individual “assurance statements” have been sought from managers at the level immediately below Chief Officer level, in relation to internal control and governance arrangements within their areas and this assurance has been built in to the overall evaluation. These statements have been reviewed by Chief Officers. The exercise did not identify any significant governance issues to be disclosed in the Governance Statement.

3.5 The Internal Audit Manager’s Annual Report and Assurance Statement for 2013/14 was considered by the Audit Committee on 18th June 2014. The report concluded that the Authority had a significant ongoing governance issue in relation to its information management arrangements and that this should be disclosed in the Governance Statement. No other significant issues for disclosure were identified.

Review of the Effectiveness of Internal Audit

3.6 The Accounts & Audit (England) Regulations 2011 include a requirement that local authorities undertake an annual review of the effectiveness of their internal audit and that this should form a part of the overall review of governance.

3.7 This annual review is dealt with in a separate report elsewhere on this agenda, which also provides an update on the position regarding Internal Audit’s compliance with the *Public Sector Internal Audit Standards (PSIAS)*.

3.8 Taking account of the conclusions from the review, it is felt that the Audit Committee can take reasonable assurance that Internal Audit is operating effectively and can place reliance on its reports and work in considering the overall effectiveness of governance arrangements. The review has not identified any issues meriting

disclosure in the Governance Statement. The current position regarding compliance with the PSIAS is reflected in the draft Governance Statement.

Governance Review - Evaluation Results

- 3.9 The Code of Governance comprises seventy-eight elements and the overall position is that there have not been any dramatic changes in the evaluation over the last year.
- 3.10 The number of factors in which there remains a perceived shortfall in performance is 7 – a reduction of two on the number identified in the 2012/13 review. There is no factor with a perceived shortfall of more than one point. Where a shortfall exists, comments/conclusions are included in the evaluation on the current position on any plans to improve arrangements during 2014/15 and beyond.

The Draft Annual Governance Statement

- 3.11 Following the evaluation exercise, the Annual Governance Statement attached at Appendix B has been drafted.
- 3.12 The timescale for the production of the Statement coincides with that for the approval of the audited financial accounts (i.e. 30 September 2014) and the Statement must be approved at a meeting of the Council or delegated committee (i.e. the Audit Committee). The Statement itself follows the statutorily prescribed format, with the following headings:
 - 1. Scope of Responsibility
 - 2. The Purpose of the Governance Framework
 - 3. The Governance Framework
 - 4. Review of Effectiveness
 - 5. Significant Governance Issues

Signatories to the Statement

- 3.13 The statutory requirement is that the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent) should sign the Statement. They must be satisfied that the document is supported by reliable evidence and accurately reflects the internal control environment. This emphasises that the document is about all corporate controls and is not confined to financial issues. As the statement covers the requirements to produce a statement on Corporate Governance and on Internal Financial Control, it is recommended that the S151 Officer and Monitoring Officer also sign the statement (as has been the case for previous years).

4.0 Details of Consultation

- 4.1 As part of the assurance gathering exercise, senior managers have provided an assurance statement for their areas of responsibility, with any matters raised being considered by Management Team and built in to the evaluation exercise.

5.0 Options and Options Analysis (including risk assessment)

- 5.1 As the production of an annual statement is a legislative requirement, no alternative options are identified.

6.0 Conclusion

- 6.1 The draft Annual Governance Statement and the results of the review reflect the developments and progress made by the Council during the last twelve months. Addressing the issues identified in the statement will help maintain this progress and contribute towards a further improved position for 2014/15.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The report has no direct impact on the above issues.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

There are no legal implications arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Accounts and Audit (England) Regulations 2011

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