
DRAFT ANNUAL GOVERNANCE STATEMENT

Committee: Resources & Finance Committee

Date: 19th June 2017

From: Chief Internal Auditor, LGSS

[S31]

1. **ISSUE**

- 1.1. This report presents the Annual Governance Statement (AGS) for 2016/17 for consideration by the Resources & Finance Committee prior to sign off by the Chief Executive and Leader of the Council.
- 1.2. The report also presents an update to the Council's Code of Governance, in line with the 2016 update to the CIPFA/SOLACE guidance and the Local Government Framework for Delivering Good Governance.

2. **RECOMMENDATION**

- 2.1. The Committee is asked to consider if the AGS is consistent with their own perspective on internal control within the Council, plus the governance issues and actions.
- 2.2. The Committee is asked to review and approve the revised draft Code of Corporate Governance.

3. **BACKGROUND/OPTIONS**

- 3.1. The Audit and Account Regulations 2015 requires the Council to produce an Annual Governance Statement (AGS) to accompany the Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Leader of the Council.
- 3.2. The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.
- 3.3. The draft AGS is presented to the Committee in order to ensure that it reasonably reflects the Committee's knowledge and experience of the Council's governance and controls.

The Annual Governance Statement

- 3.4. The draft AGS has been compiled using sources of evidence, including:
 - A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
 - A review and re-drafting of the Council's Code of Corporate Governance itself, based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.
 - Self-assurance statements prepared by Service Leads;

- The Chief Internal Auditor's opinion on the Council's internal control environment, which will be formally reported to the Audit Committee on 19th June 2017.
- 3.5. The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The guidance states that the AGS should include:
- The Council's responsibilities for ensuring a sound system of governance;
 - An 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;
 - An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
 - The identification of any significant governance issues, and 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 Statement have been resolved;
 - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.
- 3.6. 'Significant governance issues' are those that:
- seriously prejudice or prevent achievement of a principal objective of the authority;
 - have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
 - have led to a material impact on the accounts;
 - the Audit Committee advises should be considered significant for this purpose;
 - the Chief Internal Auditor reports on as significant in the annual opinion on the internal control environment;
 - have attracted significant public interest or have seriously damaged the reputation of the organisation; or
 - have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

The Code of Governance

- 3.7. The Council's governance arrangements are documented in its Local Code of Governance. This includes references to the relevant local codes, policies and procedures. CIPFA / SOLACE provide guidance which is intended to be used as best practice for developing and maintaining a locally adopted code of governance.
- 3.8. The guidance provides seven principles of good governance, to categorise examples within the code. The guidance was reviewed to reflect that Councils may be operating differently due austerity measures, and legislative changes

such as the Localism Act 2011 and the Cities and Local Government Devolution Act 2016.

- 3.9. Consequently the principles and terminology in the guidance have been updated to reflect these changes, and it is good practice to update the Councils Local Code of Governance as well.

4. ARGUMENTS/CONCLUSIONS

- 4.1. The draft AGS has been prepared, in accordance with professional guidance, and must accompany the Statement of Accounts. The process demonstrates good governance, it has been based on various sources of assurance, and the Committee is asked to consider the AGS. It will also be reviewed by the external auditors, and the final version will be signed by the Chief Executive and the Leader of the Council.

- 4.2. The Code of Corporate Governance has been updated to reflect the latest professional guidance, and should be approved by the Committee.

5. FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

- 5.1. There are no additional financial implications arising from this report. An Equality Impact Assessment is not required.

6. APPENDICES

- 6.1. Appendix 1 – Draft Annual Governance Statement
6.2. Appendix 2 – Draft Local Code of Corporate Governance

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
None	LGSS, Room 207 The Grange Ely	Duncan Wilkinson, Chief Internal Auditor duncan.wilkinson@milton-keynes.gov.uk Neil Hunter Deputy Head of Internal Audit neil.hunter@cambridgeshire.gov.uk Jonathan Tully Principal Audit Manager jonathan.tully@cambridgeshire.gov.uk