

GOVERNANCE COMMITTEE

29 June 2015

REPORT OF THE MONITORING OFFICER AND S151 OFFICER

ANNUAL GOVERNANCE STATEMENT

1.0 PURPOSE OF REPORT

- 1.1 This report explains the requirements for the Council to produce an Annual Governance Statement (AGS) and requests the Committee to approve it.
- 1.2 The Annual Governance Statement is a key component of the Council's governance arrangements. As such, those who are responsible for those arrangements must approve it.

2.0 RECOMMENDATIONS

- 2.1 **The Committee is requested to comment and approve the Draft Council's Annual Governance Statement (AGS), as set out in Appendix A to this report and note the progress from the action plan from 14/15 at Appendix B. Appendix C is the compliance grid as required under the Data Quality Framework.**

3.0 KEY ISSUES

- 3.1 The Accounts and Audit (England) Regulations 2011 requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) with the Council's financial statements.
- 3.2 The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's internal control and risk management systems, so as to give assurance of their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.
- 3.3 CIPFA's proper practice requires the most senior officer (the Chief Executive) and the most senior member (the Leader of the Council) to sign the AGS – accordingly 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 just confined to financial issues.
- 3.4 The Council has a responsibility to ensure that its business is conducted in accordance with the law and proper standards, that public money is safe-guarded, properly accounted for and used economically, efficiently and effectively.

- 3.5 In discharging these overall obligations, the Council is responsible for putting in place appropriate arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control that facilitates the effective exercise of its functions and includes arrangements for the management of risk. The overall system of controls across the Council contributes to the effective corporate governance of the organisation.
- 3.6 Governance reporting has been a requirement within local government since 2001, when CIPFA/SOLACE produced a joint publication on Corporate Governance in Local Government. A revised version was published in 2007, the CIPFA/SOLACE Framework Good Governance in Local Government. This replaced the requirement for Councils to produce an annual Statement of Internal Control (SIC), with a duty to publish an Annual Governance Statement (AGS) against which they will be judged.
- 3.7 The framework is a discretionary code and provides a framework which six core principles of good governance focuses on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community. The framework emphasises that good governance should be embedded throughout the authority and that, as a result, the statement should be corporately owned.
- 3.8 The AGS is set out at Appendix A and follows CIPFA/SOLACE guidance using a best practice format as set out in the CIPFA guide – ‘Delivering Good Governance in Local Government Framework’.
- 3.9 The AGS is a dynamic document, reflecting improvements to the Council’s governance arrangements as and when these are made. As such, it therefore forms a key part of those governance arrangements, as it can be used to give assurance to stakeholders that the Council is properly and effectively managed.
- 3.10 The final statement should be approved by the end of September annually for publication alongside the financial statements and should also be up to date at the time of publication. A draft is provided for members in order for them to input into the document and also for it to be available for the annual audit. It is not intended to bring this back to this committee unless significant changes are required between now and it being signed in September 2015 by the Leader and Chief Executive. The Framework provides guidance on what the statement should contain including:
- responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control)
 - an indication of the level of assurance that the systems and processes that comprise the Council’s governance arrangements can provide
 - a brief description of the key elements of the governance framework, including reference to group activities where these are significant
 - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance framework including reference to the roles of various Members/Officers in this process

- An outline of the actions taken, or proposed to deal with significant governance issues, including an agreed action plan

To enable us to produce the AGS, a robust in year and year-end review process has been developed. As previously, effective management of key risks to achievement of corporate objectives (and demonstration of this) underpins the assurance process.

The following sources of assurance are used to help prepare the Annual Governance Statement:

- Internal Audit reports
- External Audit reports (including the Annual Audit Letter)
- Director/Manager Assurance
- Local Government Ombudsman Reports
- Performance Management
- Financial control assurance
- Risk registers and action plans
- Other inspection reports
- Legal and regulatory assurance
- Other sources of assurance (e.g. third party)
- Member's assurance (e.g. standards)

- 3.11 At the end of the AGS it sets out areas for improvement, addressing these areas will be a priority for a number of Officers during the coming months, and progress will be monitored through our performance monitoring arrangements including reporting to this committee, the action plan from 2014/15 is attached at Appendix B. The Corporate Plan and Service Plans will be updated as required to reflect these various issues and a new action plan developed and monitored.
- 3.12 The audit plan is aimed at reviewing standards of corporate governance across the Council. As such, all audits contribute to the overall judgement on corporate governance. In particular, Internal Audit has conducted in-depth reviews of the fundamental financial systems. In addition, there has been an overall review of corporate governance covering areas such as risk and performance management, data quality, compliance with regulations and a review of the Council's counter-fraud arrangements.
- 3.13 Officers also monitor progress against CIPFA/SOLACE published guidance on the AGS that included a framework for a self-assessment, which has been carried out and this has been used to produce an action plan for improvement.

4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 Corporate Priorities

The establishment of a comprehensive system of internal control is a vital component in ensuring that Melton Borough Council is well managed.

4.2 The six core principles referred to in the framework are:

1. Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Councillors and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions, which are subject to scrutiny and managing risk.
5. Developing the capacity and capability of councillors and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

4.3 The attached AGS (Appendix A) is a summary of the systems of governance and internal control across the Council and provides an opinion of the standards achieved. There is an action plan of matters arising, which will be addressed during 2015/16. A principal part of the evidence on which the AGS is based is the Annual Assurance Statements provided by Senior Managers.

4.4 Linked to the Governance Framework, the Accounts and Audit Regulations 2011 require councils to review the effectiveness of their system of Internal Audit once a year and for the findings of the review to be considered by a committee of the Council. The findings of the review should be part of the system of internal control that supports the Annual Governance Statement, in turn supporting the authority's financial statements.

5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 There are no particular financial implications.

6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 The governance framework of anybody comprises the systems and processes, and cultures and values by which they are directed and controlled and through which it accounts to and engages with its community.

7.0 **COMMUNITY SAFETY**

7.1 There are no specific community safety aspects to this report.

8.0 EQUALITIES

8.1 The management of Equalities and Diversity issues are fundamental to ensure equal access for all and are embedded within our approach.

9.0 RISKS

9.1 The main risk related to this report is listed below:

Probability

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Very High A				
High B				
Significant C				
Low D				
Very Low E			1	
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

→ Impact

Risk No.	Description
1	Non-compliance with these Requirements could critically affect the reputation and performance of the Council.

10.0 CLIMATE CHANGE

10.1 There are no specific climate change implications relating to this report.

11.0 CONSULTATION

11.1 Senior management has been consulted as part of the drafting process of the detailed documents that underpin this process.

12.0 WARDS AFFECTED

12.1 All wards are affected by this report.

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Date: June 2015

Appendices: Appendix A – Annual Governance Statement

Appendix B – Action Plan
Appendix C- Compliance Grid

Background Papers: None other than referred to in the report

Reference: X: C'tees, Council & Sub-C'tees/Governance/2014/Annual Governance Statement

