

Report to: Audit Committee

Date of meeting: 30 June 2014

Report of: Alan Power - Head of Finance Shared Services

Title: Annual Governance Statement (AGS) 2013/14

1.0 SUMMARY

- 1.1 This report enables the Committee to agree the Annual Governance Statement (AGS) for inclusion in the Draft Statement of Accounts.

2.0 RECOMMENDATIONS

- 2.1 That, the Committee considers and approves the Annual Governance Statement attached as Appendix 1.
- 2.2 That, subject to any changes required prior to their signing, the AGS be included in the Statement of Accounts for 2013/14.

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Report approved by: Alan Power, Head of Finance

3.0 DETAILS

- 3.1 *The Report of the Committee on the Financial Aspects of Corporate Governance* (the Cadbury Report 1992) identified three fundamental principles of corporate governance – openness, integrity and accountability.
- 3.2 The Committee on Standards in Public Life (the Nolan Committee 1995) stated that the principles of public life are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 3.3 In 2001, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published *Corporate Governance in Local Government – A Keystone for Community Governance: Framework*. This set out best practice for authorities to develop their own locally adopted codes.
- 3.4 In June 2007, CIPFA and SOLACE published *Delivering Good Governance in Local Government: Framework*. This recommended that a review of the effectiveness of the system of internal control should be reported in an AGS. The Framework informed authorities in England that its provisions were mandatory from 2007/08.
- 3.5 In March 2010, CIPFA published an Application Note to the Framework dealing with the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. This extended the contents of the AGS to include a specific statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement, and where they do not, to explain why and how they deliver the same impact.
- 3.6 Regulation 4 of *The Accounts and Audit (England) Regulations 2011* requires the Council to:-
- Ensure that it has a sound system of internal control;
 - Conduct a review at least once a year of the effectiveness of its system of internal control;
 - Consider the findings of the review (either at a committee meeting or at Council) and, following that consideration, approve an AGS prepared in accordance with proper practices, and,

Ensure that the AGS accompanies the Statement of Accounts (amending the need to produce a Statement on Internal Control),

- 3.7 The *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* (CIPFA/LASAAC) states that the preparation of an AGS fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control, and that authorities should include an AGS reporting on the review in its Statement of Accounts. It also says that:-

- The AGS should relate to the governance system as it applied during the financial year for the accounts that it accompanies.
- Significant events or developments relating to the governance system that occur between the year-end and the date on which the Statement of Accounts is signed by the responsible financial officer should be reported.
- Where an authority undertakes significant activities through group relationships, the review of the effectiveness of internal control should include the group activities.

3.11 It is important that there is corporate involvement in, and ownership of, the process for preparing the AGS. Assurances have been sought from all service heads and other managers. Leadership Team has considered and approved the AGS.

3.12 Each head of service assurance statement poses a number of questions concerning governance. The template is attached at Appendix 2. Heads of service were asked to indicate whether the matter has been fully addressed, partly addressed or not addressed at all. All Assurance Statements are available for inspection as 'background papers'.

3.13 In summary, heads of service and managers have indicated that every matter has been fully addressed with the following exceptions:-

Matters that have not been addressed at all:-

- None

Matters that have been partly addressed:-

- Compliance with :-
 - contract procedure rules and finance procedure rules
 - Health and safety policies
 - HR policies
 - local code of corporate governance
 - whistleblowing policy
 - risk management arrangements
 - project management framework

The issues raised above apply in isolated cases and are not typical of the authority as a whole.

3.18 The AGS also takes into account the matters identified in the Internal Audit Annual Report for 2013/14.

3.19 In the SIAS Annual Report for 2013/14 (elsewhere on this Agenda), The Head of Assurance has provided an assurance opinion on corporate governance and risk management. This states the Council's corporate governance and risk management framework substantially complies with the best practice guidance on

corporate governance issued by CIPFA/SOLACE. This conclusion is based primarily on the work undertaken by the Council and reported in its Annual Governance Statement for 2013/14 and the specific reviews of risk management and corporate governance carried out by SIAS over February and March 2014 both of which received overall Full Assurance opinions.

- 3.20 The Head of Assurance is able to report a substantial level of conformance with the Public Sector Internal Audit Standards and considers the internal audit service to be effective. The exercise did not identify any significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement.
- 3.21 The proposed AGS for 2013/14 is attached at Appendix 1. It will need to include any significant events or developments relating to the governance system that occur between the year-end and the date on which the Statement of Accounts is signed. These will be agreed with the Committee at the time.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

The ongoing review of the Governance Statement is designed to minimise the risk of over-looking important issues. Failure to do so could lead to problems for the council, including financial loss, reputational risk and adverse comment from the external auditor.

Potential Risk	Likelihood	Impact	Overall score
Failure to correctly identify key issues	2	4	8

APPENDICES

- 1 Annual Governance Statement 2013/14
- 2 Assurance Statement Template