

<b>Item No.</b> 7.	<b>Classification:</b> Open	<b>Date:</b> 14 July 2016	<b>Meeting Name:</b> Audit, governance and standards committee
<b>Report title:</b>		Draft Annual Governance Statement 2015-16	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

### **RECOMMENDATION**

1. That the audit and governance committee note the draft annual governance statement 2015-16, as attached (Appendix 1).

### **BACKGROUND INFORMATION**

2. The Accounts and Audit Regulations 2015, require that the annual governance statement for 2015-16 be presented to an appropriate committee of the body. Under the constitution, the audit, governance and standards committee is the body that formally receives the annual governance statement.
3. The regulations require the annual governance statement to accompany the signed and dated accounts and to be approved at the same time as the statement of accounts. Formal approval will therefore be sought at the September meeting.
4. Following this approval, the annual governance statement should be signed by the most senior member of the council and most senior officer, i.e. the leader of the council and the chief executive.

### **KEY ISSUES FOR CONSIDERATION**

5. Every year, each local authority is required by law to conduct a review of the effectiveness of its system of internal control and to publish a statement reporting on the review, the annual governance statement (AGS), with its financial statements.
6. The annual governance statement is therefore a mandatory statement that recognises, records and publishes the council's governance arrangements as defined in the CIPFA/SOLACE framework for good governance in local authorities. It reflects how the council conducts its business, both internally and in its dealings with others. Its objective is to provide assurance on the effectiveness of the corporate governance arrangements and to identify significant governance issues requiring management action.
7. The statement is produced following a review of the council's governance arrangements and system of internal control. The review consists of an evaluation of the council's governance arrangements against the best practice described in the CIPFA guidelines, as updated in 2012. This includes an assessment of the systems and processes for:

- establishing the council's principal statutory obligations and organisational objectives and applying the six SOLACE/CIPFA core principles of good governance
  - identifying the principal risks to the achievement of the council's objectives
  - identifying and evaluating key controls to manage the council's principal risks
  - obtaining assurances on the effectiveness of key controls.
8. The assurances on the effectiveness of key controls are obtained throughout the year in the form of internal and external audit and inspection reports, risk management and performance management activities. In addition, each strategic director completes an annual governance assurance statement describing the key governance and internal control arrangements within their department, the arrangements they have made to provide assurance that those arrangements are effective and any opportunities for improvement identified through the assurance review processes.
9. The corporate governance panel (CGP) is responsible for evaluating assurances and the supporting evidence, and agreeing the final draft of the AGS. In agreeing the draft AGS, the CGP will consider issues that are of significance and comment in the final draft AGS as appropriate. Issues that are considered "significant" are those that meet the following criteria:
- The issue has seriously prejudiced or prevented achievement of a principal objective
  - The issue has resulted in a 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
  - The issue has led to a material impact on the accounts
  - The audit, governance and standards committee has advised that it should be considered significant for this purpose
  - The head of anti-fraud and internal audit has reported on it as significant for this purpose in the annual opinion on the internal control environment
  - The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation
  - The issue has resulted in formal action being taken by the S.151 officer and/or monitoring officer.
10. The draft AGS (Appendix 1) is presented to the audit, governance and standards committee for review. It will be brought again in September for further consideration and approval and, subject to this approval, will need to be signed by the leader of the council and the chief executive.

### **Community impact statement**

11. This report and the accompanying draft annual governance statement are not considered to have a direct impact on local people and communities. However, good governance arrangements are important to the delivery of local services and to the achievement of outcomes.

### **Resource implications**

12. There are no direct resource implications in this report.

## Consultation

13. There has been no consultation on this report.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

14. None required.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial and Information Governance files	Finance and Governance, Second Floor, Tooley Street, London SE1	Jo Anson 020 7525 4308

## APPENDICES

No.	Title
Appendix 1	Draft annual governance statement 2015-16

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Jo Anson, Head of Financial and Information Governance	
<b>Version</b>	Final	
<b>Dated</b>	23 June 2016	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Democracy	No	N/A
Strategic Director of Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional Team</b>	23 June 2016	