

Audit and Standards Committee

4th June 2015

Annual Governance Statement 2014/2015

Recommendations

That the Committee endorse the:

1. results of the review of internal control and;
2. the draft annual governance statement for the County Council.

1.0 Background

- 1.1 The Accounts and Audit (England) Regulations 2011 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).
- 1.2 The draft AGS is reported to this meeting of the Committee as it is good practice for a draft annual governance statement to be considered by members as soon as possible after the end of the financial year and also so that an agreed draft can be made available to the external auditors for their review. Following consideration of the draft AGS by external auditors and completion of the audit of the accounts, the final AGS (incorporating any comments by external auditors) will be reported to the September meeting of this Committee. This will allow the committee to take into account the results of the external audit and the content of the Authority's accounts which will also be on the agenda for the Committee's September meeting. Following scrutiny by this Committee the draft AGS will be reported to Cabinet and then to Council for approval.
- 1.3 The annual governance statement recognises, records and publishes an authority's governance arrangements under the framework defined in CIPFA/SOLACE's publication 'Delivering Good Governance in Local Government: Framework'.
- 1.4 This framework sets out six core principles of governance that underpin the AGS and upon which the AGS should report:
 - focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capability of members and officers to be effective; and
- engaging with local people and other stakeholders to ensure robust public accountability.

1.5 A key element of governance is the control environment, which CIPFA defines as comprising ‘the systems of governance, risk management and internal control’. Key elements of the control environment include:

- establishing and monitoring the achievement of the organisation’s objectives;
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- ensuring the economical, effective and efficient use of resources, and securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- the financial management of the organisation and the reporting of financial management; and
- the performance management of the organisation and the reporting of performance management’.

2.0 The Assurance Gathering Process

2.1 **Appendix 1** illustrates the recommended steps¹ for the process of reviewing the authority’s governance arrangements and gathering assurance about the effectiveness of the system in order to produce the annual governance statement. This approach was adopted for the review which was carried out by a Panel consisting of:

- Sarah Duxbury, Head of Law & Governance, Resources Group
- Garry Rollason, Chief Risk and Assurance Manager, Resources Group
- Graeme Fitton, Head of Transport and Highways, Communities Group
- Gary Phillips, Deputy Chief Fire Officer, Warwickshire Fire & Rescue Service

¹ The Annual governance statement; Meeting the requirements of the Accounts and Audit Regulations 2003, *Incorporating Accounts and Audit (Amendment) (England) Regulations 2006* – Rough Guide for Practitioners; CIPFA Finance Advisory Network

- Tricia Morrison, Acting Head of Service Improvement and Change Management, Resources Group
- Marie Seaton, Interim Head of Professional Practice and Governance, People Group

2.2 In carrying out their review, the Panel scrutinised the strategic risk register prepared by senior managers and approved by Corporate Board and considered the following:

- the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- the approach of the authority to identifying principal risks to the achievement of those obligations and objectives;
- the key control frameworks that the authority has in place to manage its principal risks; and;
- any potential gaps in the governance and control frameworks.

2.3 In addition Heads of Service have completed assurance statements confirming that they have complied with the risk management framework throughout the year for the identification and management of risks within their Services. Consideration was also given to the results of reviews carried out by external agencies during the year.

2.4 The Internal Audit Annual Report for the year ended 31 March 2015 has to be considered at the same time as this statement. The Annual Report is also included on the agenda for this meeting.

3.0 Findings of the Review

3.1 As part of the annual governance statement process for 2014/15, the Panel considered the strategic risk register agreed by Corporate Board and were mindful of the following factors in determining what constitutes a significant issue:

- The issue has severely 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 business
- The issue has led to a material impact on the accounts
- The Audit and Standards Committee has advised that it should be considered significant for this purpose
- The Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment
- The issue, or 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 Chief Financial Officer or the Monitoring Officer.

- 3.2 CIPFA guidance also states that ‘a ‘good’ governance statement should be ‘an open and honest self-assessment of the organisation’s performance across all of its activities [and] it is inevitable that, where the process of review has been rigorous and robust, issues will be identified that the organisation will need to address.’
- 3.3 As a result of its work the panel has recommended a number of changes to the risk register which are reflected in the proposed AGS. Although the risks outlined are major challenges for the Authority the panel do not judge any of them to be significant governance issues. The Council has not experienced any significant governance failures during the last year.
- 3.4 A draft annual governance statement reflecting the panel’s findings is attached in Appendix 2. The Committee is invited to scrutinise the draft annual governance statement.

4.0 Background Papers

- 4.1 None

Appendices:

Appendix 1: Review of Annual governance statement and the Assurance Gathering Process

Appendix 2: Draft Annual Governance Statement

	Name	Contact Information
Report Author	Garry Rollason	01926 412679
Head of Service	Sarah Duxbury	01926 412090
Strategic Director	David Carter	01926 412564
Portfolio Holder	Cllr Kam Kaur	01926 632679

Appendix 1: Review of Annual governance statement and the Assurance Gathering Process

