

Audit & Standards Committee

1 June 2017

Annual Governance Statement 2016/2017

Recommendation(s)

That the Committee endorse the:

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

1.0 Key Issues

- 1.1 The Accounts and Audit Regulations 2015 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.
- 1.3 The AGS enables the Authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It also reflects future challenges facing the Authority and how they will be managed.
- 1.4 The AGS has been produced in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The framework sets out seven core principles of governance that underpin the AGS:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder engagement;
 - Delivering outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the interventions necessary to optimize the achievement of the intended outcomes;

- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting, and audit, to deliver effective 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;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement;
- 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 steps 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. The review was carried out by a Panel consisting of:

- Jane Pollard, Legal Services Manager
- Phil Evans, Head of Community Services
- Rob Moyney, Deputy Chief Fire Officer
- Elizabeth Abbott, Business Partner - Planning, Performance & Improvement
- Garry Rollason, Chief Risk and Assurance Manager

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 2017 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 2016/17, the Panel considered the strategic risks agreed by the Customer Transformation 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 Chief Risk and Assurance Manager 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 recommended a number of changes to the strategic risk register which have been further scrutinised by the Section 151 Officer, Monitoring Officer and Corporate Board, and are reflected in the proposed AGS. Although the risks outlined in the risk register and summarised in the draft AGS 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 Timescales associated with the decision and next steps

- 4.1 Following consideration of the draft AGS by the Committee it will be presented to the external auditors for review. After 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.

Background papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

Other members: None

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

