

Audit & Standards Committee

23 May 2019

Annual Governance Statement 2018-19

Recommendation

The Committee endorse the draft annual governance statement at **Appendix 2**.

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 National Audit Office report on Local Authority Governance (January 2019) illustrates the role of the Authority in the wider governance framework, shown at **Appendix 1**. 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 Council's Local Code of Corporate Governance and 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 The process of reviewing the authority's control environment and gathering assurance about the effectiveness of the system involves a review by an AGS Evaluation Panel followed by statutory officer scrutiny.

The review was carried out by an Evaluation Panel consisting of:

- Nichola Vine, Legal Services Manager
- Steve Smith, Assistant Director Commissioning Support Unit
- Virginia Rennie, Strategic Finance Manager (Corporate Finance and Advice)
- Helen King, Deputy Director of Public Health
- Stuart Jackson, Interim Assistant Director, Environmental Services
- Mark Ryder, Assistant Director, Communities
- Garry Rollason, Internal Audit and Insurance 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 The proposed AGS was further scrutinised by the Section 151 Officer and the Monitoring Officer. In addition Assistant Directors 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 and teams. 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 2019 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 2018/19, the Panel considered the strategic risks agreed by Corporate Board, and informed by all Assistant Directors. The Panel was also 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 Internal Audit and Insurance 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 Although the risks outlined are major challenges for the Authority, the panel, Section 151 Officer, the Monitoring Officer and the Interim Assistant Director - Finance 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 at **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, any changes suggested by external auditors will be reported to the July meeting of this Committee and to Cabinet. The draft AGS will then be reported to Council for approval.

Background papers

None

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

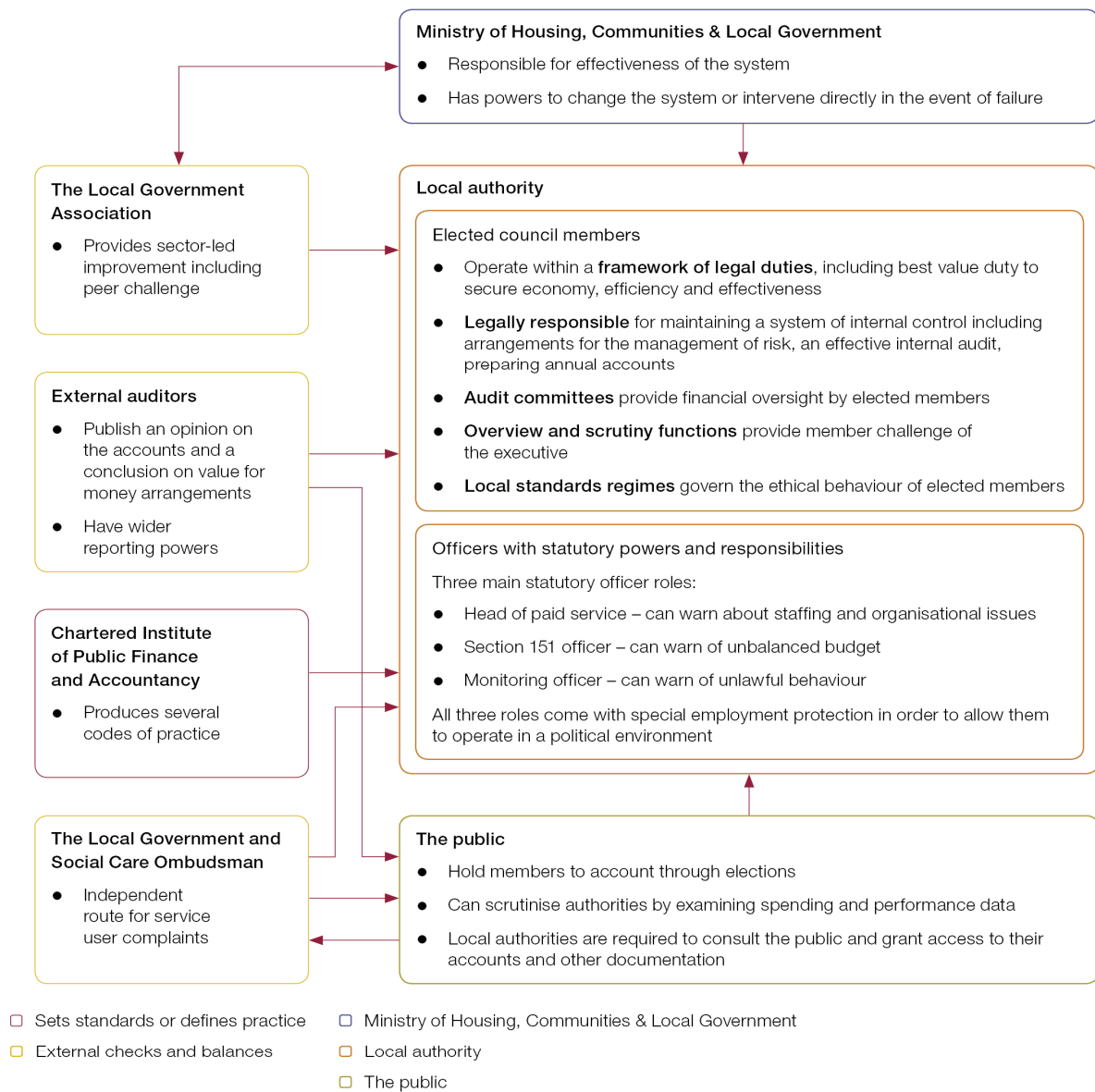
Local Member(s): Not applicable

Other members: None

Appendix 1: National Audit Office report on Local Authority Governance, January 2019

Figure 1

Core local governance framework



Notes

- Links with other departments and service inspectorates not shown.
- There are other statutory roles in an authority but the three listed in the chart are our main focus.
- Arrows show the main influences acting on local authorities' governance arrangements.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government information