



**Audit and Standards Committee
6 March 2017**

TITLE OF REPORT: **Annual Governance Statement 2016/17 - Assurance Framework**

REPORT OF: **Darren Collins, Strategic Director, Corporate Resources**

Purpose of the Report

- 1 This report provides an overview of the work to be undertaken to produce the Annual Governance Statement (AGS) for 2016/17 which demonstrates the level of assurance that can be given by the Council's control systems and governance arrangements.

Background

- 2 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively demonstrating value for money.
- 3 The Accounts and Audit Regulations 2015 require the Council to produce an AGS setting out its governance arrangements and reviewing their effectiveness. The statement accompanies the Annual Statement of Accounts and is signed by the Leader of the Council and Chief Executive.
- 4 The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making, that there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and the community.

Assurance Framework

- 5 The assurance framework supports the AGS and provides councillors with information on the Council's control environment and governance arrangements. It maps the Council's strategic objectives to risks and controls and seeks assurance from a number of sources of Council activity.
- 6 The process of preparing the AGS should itself add value to the effectiveness of the Governance Assurance Framework. The assurance process will demonstrate four aspects:

- **Identify** – what do we want assurance on?
 - **Assess** – what are the sources of assurance?
 - **Review** – how is assurance validated?
 - **Act** – what are the opportunities to improve?
- 7 In preparing the governance statement it will be necessary to review evidence from the following sources which together form the assurance framework:
- Governance arrangements
 - Councillors
 - Strategic and Service Directors
 - The system of internal audit
 - Risk management arrangements
 - Performance management and data quality
 - Views of the external auditor and other external inspectorates.
 - The legal and regulatory framework
 - Financial controls
 - Partnership arrangements and governance

Governance arrangements

- 8 The Council has a Local Code of Governance, which was originally presented to the Audit and Standards Committees in April 2007. This was last updated and agreed by the Audit and Standards Committee on 7 March 2016 and an updated version of the code is presented for approval in a separate report for this meeting. This code defines how the Council complies with the principles of good governance laid down by the Independent Commission on Good Governance in Public Services. The six overarching principles are:
- *Focussing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area;*
 - *Councillors and officers working together to achieve a common purpose with clearly defined functions and roles.*
 - *Promoting the values of the Council and demonstrating the values of good governance through behaviour;*
 - *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;*
 - *Developing the capacity and capability of Councillors to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively;*
 - *Engaging with local people and other stakeholders to ensure robust local public accountability.*

- 9 CIPFA have developed a revised approach to a Local Code of Governance as set out in their Delivering Good Governance in Local Government: Framework. As detailed in a separate report on this agenda it is proposed that an iterative and planned approach be taken to development of the new Framework so that it can be fully instigated in March 2018.
- 10 The effectiveness of the Council's governance arrangements will be considered through the assessment of the assurances below.

Councillors

- 11 The Council's Constitution sets out the role of the Cabinet as follows:
 - To lead change and make recommendations for change to the Council, in consultation with a wide range of stakeholders;
 - To ensure that the Council's priorities within the policy framework and budget are implemented, making decisions within that framework where appropriate;
 - To monitor the implementation of the budget and policy framework through taking a lead role on Best Value and through co-ordination with the overview and scrutiny role;
 - To provide a public face on specific issues.
- 12 Assurance will be sought from members of the Cabinet on the effectiveness they feel can be placed on the Council's corporate governance arrangements.

Strategic and Service Directors

- 13 All Service Directors will complete a self assessment assurance statement detailing the level of assurance they feel they can place on their key control and governance processes. This statement will be reviewed and updated for 2016/17 to ensure it remains focused on the key areas. The evidence used to complete these statements will be evaluated by Internal Audit as part of the 2017/18 plan.

The system of internal control

- 14 The Accounts and Audit Regulations 2015 outline that the Council must ensure it has a sound system of internal control which:
 - Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - Ensures that the financial and operational management of the Council is effective; and
 - Includes effective arrangements for the management of risk.

- 15 The Internal Audit & Risk Service is responsible for ensuring that all key systems, both financial and non financial, are subjected to regular audit as part of the risk based audit plan.
- 16 In addition, the Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 17 The Council must, each financial year, conduct a review of the effectiveness of the system of internal control, which includes internal audit. This is defined by CIPFA as “a framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in understanding its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation”. This includes assurance from a variety of sources across the Council where controls are managed e.g. the Council’s Health and Safety Section.
- 18 The review will take into consideration the outcomes and actions from the Chief Internal Auditor’s self- assessment against compliance with Public Sector Internal Audit Standards (PSIAS). Independent external assessment, a requirement of PSIAS at least once every five years, has previously been undertaken by Mazars and was reported to the Audit and Standards Committee on 26 January 2015.
- 19 The overall opinion of the Chief Internal Auditor based on the work undertaken by the Internal Audit & Risk Service and other providers during the year will be reported to the June Audit and Standards Committee in the Internal Audit Annual Report 2016/17.

Risk management arrangements

- 20 An updated version of the Corporate Risk Management Policy was approved by Cabinet on 21 May 2013 and it clearly identifies the roles and responsibilities of the following key groups:-
 - Councillors through the engagement of Cabinet and the Audit and Standards Committee;
 - Chief Executive;
 - Strategic Director, Corporate Resources;
 - Strategic Directors;
 - Operational Managers;
 - Internal Audit & Risk Service; and the
 - Corporate Risk and Resilience Group.
- 21 The Strategic Director, Corporate Resources prepares an annual report for the Committee detailing the Council’s risk management arrangements during the year and its findings. The report also includes a view on the effectiveness of the Council’s risk management arrangements.

Views of the external auditor and other external inspectors

- 22 The external auditor issues an Annual Audit Letter to the Council, providing a review of the Council's value for money arrangements and reporting any significant issues arising from the audit of the Council's financial statements.
- 23 There are a number of other external inspectorates which may report on management or governance arrangements at the Council in the course of the year.

Performance management and data quality

- 24 The Council produces a number of strategic performance indicators, which are reported to Cabinet and Scrutiny Committees and included in the Council's Annual Report. This framework ensures performance is reported against outcomes identified in the Council Plan 2015-20.

Legal and regulatory framework

- 25 Assurance will be sought from the Strategic Director, Corporate Services and Governance as the Monitoring Officer who has a legal duty to ensure the lawfulness and fairness of decision-making within the Council. Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every committee report submitted to a decision-making body.

Financial controls

- 26 Assurance will be sought from the Strategic Director, Corporate Resources who is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety, publicity and budget issues; giving financial information; and acting as the Council's money laundering reporting officer.

Partnership arrangements & governance

- 27 Another requirement is for each Service Director to review the partnerships their service is connected with and record details within their business plan on an annual basis. As partners are key to the delivery of the Council's objectives assurance of their control and governance systems is required. The overall opinion on the effectiveness of such arrangements will be presented in an annual report to the Audit and Standards Committee.

Other sources of assurance

- 28 Other areas include anything not covered above which gives an opinion on the Council's internal control environment or governance arrangements. Examples could include fraud reports, ombudsman reports, Ofsted reports or other reports addressing best value.

Production of the Annual Governance Statement 2016/17

- 29 A corporate group, chaired by the Strategic Director, Corporate Resources will use the findings of the above sources of assurance to form a view on the adequacy of the Council's overall internal control and governance arrangements.
- 30 Using evidence from this assessment the Group will prepare the AGS for 2016/17 for approval by the Audit and Standards Committee in June 2017. This will then accompany the Statement of Accounts for 2016/17.

Recommendation

- 31 The Committee is asked to agree the assurance framework as set out in this report.

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