

TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15**REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT****1. SUMMARY**

- 1.1 For the Finance, Audit and Risk Committee to receive, critically review, and comment on the draft Annual Governance Statement (AGS) for the year 2014/15. This Statement reviews the financial year 2014/15 and the period between 1st April and the completion of the Statement of Accounts.
- 1.2 For the Committee to note the draft improvement actions arising from the Annual Governance Statement for 2014/15 for implementation in 2015/16.

2. RECOMMENDATIONS

It is recommended that members of this Committee:

- 2.1 Consider and comment on the draft AGS and supporting documentation);
- 2.2 Agree that progress against the action plan will be reported in September 2015 and March 2016.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To offer members of the Committee the opportunity comment on the statement. This will need to be considered post Constitutional amendments by July Council and approved.
- 3.2 Reviewing the AGS action plan in the year will provide the Committee with assurances that the Council is improving its governance arrangements.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered.

5. FORWARD PLAN

- 5.1 This report does not cover a recommendation on a key decision and has not been referred to in the Forward Plan.

6. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 6.1 The Council's external auditors and the Shared Internal Audit Service have been consulted on the draft AGS. The AGS and the resulting action plan have incorporated relevant findings and recommendations from the Annual Audit letter for the year ended March 2014 that was discussed at the Finance Audit & Risk Committee in December

2014. In addition the AGS refers to assurances provided by internal audit reports completed in 2014/15.

7. BACKGROUND

- 7.1 The Accounts and Audit Regulations 2015, require the Council to prepare an AGS. The findings of this review of the governance framework must be considered by a Committee with the power to consider and approve the AGS, which is a public report on the extent to which the Council complies with its own code of governance. This includes details of how the effectiveness of the governance arrangements in the year have been monitored and evaluated. It identifies any planned changes in the coming year.
- 7.2 The AGS does not need to be included in the statement of accounts but, once approved, needs to accompany them. The statement is separate from the accounts for the purposes of external audit. The Council will include the 2014/15 AGS as an appendix to the accounts as it did in 2013/14.
- 7.3 The AGS has been compiled as a corporate document and reviewed and agreed by the Senior Management Team.
- 7.4 The draft AGS is being presented for comment at this stage, and will then, post July Council be presented to a Committee (intended to be Finance Audit and Risk) once it has the remit to consider the review and approve the AGS as per the new 2015 Regulations. Note that the review of the effectiveness of the assurance framework has included reviews made by external and internal audit as well as the Finance, Audit and Risk Committee itself. Each Head of Service/Corporate Manager has completed an assurance statement that includes a review of their service risks and risk management practices. These Assurance Statements are available for the Committee to review. The annual Internal Audit and the Review of the Effectiveness of the Finance, Audit and Risk Committee reports presented at this meeting have also been considered in the compilation of this draft AGS.
- 7.5 The Chairman of the Finance Audit & Risk Committee for the period April 2014 to March 2015 has prepared a statement on behalf of the Committee and this is attached at Appendix B for information and has been used to support the drafting of the AGS although it will be presented again as part of the 2015 Regulation review and approval process.

8. ISSUES

- 8.1 A review of the preparation and presentation style was undertaken by the authorities that are part of the Shared Internal Audit Service in 2014/5. As a result, the format of the AGS for 2014/15 is slightly different from previous years in an attempt to encourage wider readership.
- 8.3 The draft AGS for 2014/15 is attached as Appendix A for comment (and the review will be further considered and the AGS approved later this year). The AGS is reviewed by the Council's external auditors and will be commented on in their Annual Report to those Charged with Governance that will be presented at the September meeting of this Committee.

9. ACTION PLAN ARISING FROM THE 2014/15 AGS

- 9.1 The draft improvement actions in Section five of the AGS arise from the review of effectiveness that is summarised in sections three and four on the AGS. A number of these arose as high level recommendations from internal audit reports or from internal audits that were given a moderate level of assurance. A moderate level of assurance is given when the auditors find that whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk. The final improvement plan will be presented alongside the Final AGS in September at the authorised Committee.

10. LEGAL IMPLICATIONS

- 10.1 The Accounts & Audit (England) Regulations 2011 (now revoked) and now the Accounts and Audit Regulations 2015, require the Council to conduct a review at least once in a year of the effectiveness of its system of internal control. This annual review results in the AGS. The review must be considered and approved by a Committee with the legal power to do so under the Regulations. This will be dealt with the forthcoming Constitutional review at Full Council in July.

11. FINANCIAL IMPLICATIONS

- 11.1 The AGS is to accompany the statement of accounts. CIPFA recommends that the AGS is drafted by the end of June. By presenting the draft AGS to this Committee before the audit of the accounts is concluded this gives the Committee time to raise any points that may need to be addressed. Other than this there are no financial implications arising from this report.

12. RISK IMPLICATIONS

- 12.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and improvement actions put in place. This ensures the risk of failing to have adequate governance arrangements is well managed.

13. EQUALITIES IMPLICATIONS

- 13.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act created a Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 13.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 13.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 13.3 This formal annual review of the Council's governance framework provides a means to monitor regularly whether the Council is meeting the stated outcomes of its policies, is meeting its commitment to deliver accessible and appropriate services to the community, and complying with the requirements placed on the Council under the Local Government Equality Duty. Financial decisions and larger projects are subject to individual equality analysis.

14. SOCIAL VALUE IMPLICATIONS

- 14.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 13.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct human resource implications relating to this matter.

16 APPENDICES

- 16.1 Appendix A –Draft AGS for 2014/15.
- 16.2 Appendix B – Statement from the Chairman of the Finance, Audit & Risk Committee.

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18. BACKGROUND PAPERS

- 18.1 Heads of Service and Corporate Manager's Assurance Statements.
- 18.2 *Delivering Good Governance in Local Government: Framework. Addendum December 2012* The Chartered Institute of Public Finance and Accountancy