

Report to	Audit committee 22 July 2014	Item
Report of	Head of internal audit and risk management, LGSS	9
Subject	Draft annual governance statement 2013-14	

Purpose

To review the effectiveness of the council's governance arrangements and approve the draft annual governance statement for 2013-14.

Recommendations

To:

- (1) review the effectiveness of the council's governance arrangements;
- (2) approve the draft annual governance statement for 2013-14.

Corporate and service priorities

The report helps to meet the corporate priority "Value for money services".

Financial implications

None directly.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

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Background documents

None

Report

Background

1. One of the requirements in the Accounts and Audit Regulations 2011 is for the reporting of an annual governance statement (AGS) for 2013-14. The governance statement provides public assurance that the council's governance framework is adequate and effective.
2. In 2001 CIPFA and SOLACE produced a framework of good governance for use in local government. The framework recommended that local authorities review their existing governance arrangements and report annually on their effectiveness in practice.
3. The framework states that "good governance leads to good management, good performance, good stewardship of public money, good public engagement, and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk."
4. Using the principles in section three of the framework the council adopted a revised code of governance in October 2008.
5. Both the framework and the CIPFA code of practice on local authority accounting in the United Kingdom 2013-14 state that the governance statement should cover all significant corporate systems, processes and controls, including in particular those designed to ensure that:
 - the authority's policies are implemented in practice
 - high quality services are delivered efficiently and effectively
 - the authority's values and ethical standards are met
 - laws and regulations are complied with
 - required processes are adhered to
 - performance statements and other published performance information are accurate and reliable
 - human, financial and other resources are managed efficiently and effectively.
6. The draft statement and supporting evidence have already been considered by the corporate leadership team and the monitoring officer.
7. The draft annual governance statement accompanies the statement of accounts which has to be published by 30 June, but may subsequently be amended following review by the Audit Commission's appointed auditor (EY).

The annual review of the effectiveness of governance arrangements

8. The framework requires that the council should undertake regular, at least annual, reviews of its governance arrangements to ensure continuing compliance with best practice as set out in the framework. It is important that such reviews are reported on both within the council, in the council's case to corporate leadership team and audit committee, and externally with the published accounts, to provide assurance that:
- governance arrangements are adequate and operating effectively in practice, or
 - where reviews of the arrangements have revealed gaps, action is planned that will ensure effective governance in future.
9. The Audit Commission has commented that

“..authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. It is also important to recognise that the purpose of the annual governance statement is not just to be ‘compliant’, but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required. This will also demonstrate to stakeholders what those arrangements are.”

The draft annual governance statement

10. The draft annual governance statement for 2013-14 is part of the unaudited statement of accounts for the year ending 31 March 2014 – as this is on today's agenda it is felt to be unnecessary duplication to also attach the draft AGS to this report.
11. **The draft AGS can be found on pages 25 to 37 of the statement of accounts** (please note this refers to page numbers in the accounts, not the agenda page numbers).
12. **Amendment.** On pages 36 and 37 of the AGS, under ‘Internal audit assurance reviews’, there are references to the accounts receivable draft audit report resulting in a limited assurance opinion, for which the response from management was still outstanding. A response has since been received and it is likely that the final opinion will be ‘moderate assurance’, in which case these references will be removed from the final version of the AGS.
13. A ‘good’ governance statement is an open and honest self-assessment of the council's performance across all of its activities, with a clear statement of the actions being taken or required to address any areas of concern.
14. The format and contents follow the guidance in the CIPFA/SOLACE framework and addendum. The statement also complies with the requirements of the CIPFA code of practice on local authority accounting in the United Kingdom 2013-14.