

# AUDIT COMMITTEE

3 December 2013

**Subject Heading:**

Governance Update

**Report Author and contact details:**

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**Policy context:**

To inform the Committee of process for the production and approval of the Annual Governance Statement 2013/14

**Financial summary:**

N/a

**The subject matter of this report deals with the following Council Objectives**

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

## SUMMARY

This report provides the Audit Committee with information on the requirement for the Annual Governance Statement (AGS) and identifies timescales for the production of the 2013/14 AGS.

## RECOMMENDATIONS

1. To note the contents of the report and proposed timetable

2. To raise any issues of concern and ask specific questions of officers where required.

## REPORT DETAIL

### **1. Introduction**

- 1.1 Governance is about how councils ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which councils are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.<sup>1</sup>
- 1.2 Governance is more than making sure that things do not go wrong or fixing them if they do. Good governance adds value; it ensures effectiveness in ever changing circumstances.<sup>2</sup>
- 1.3 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 the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.
- 1.4 High standards of conduct and leadership are at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation.

### **2. Requirements for the Annual Governance Statement 2013/14.**

- 2.1 Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 requires all relevant bodies to prepare an annual governance statement which must accompany the statement of accounts. This requirement is reflected in the Code of practice for Local Authority Accounting in the United Kingdom 2012/13 (CIPFA/SOLACE).
- 2.2 The 'Delivering Good Governance in Local Government Guidance 2012' urges councils prepare a AGS in order to report publicly on the extent to which it complies with its own code of governance on an annual basis; including how they have monitored the effectiveness of their governance arrangements in

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<sup>1</sup> Quote from CIPFA/SOLACE 'Delivering good governance in Local Government Framework'

<sup>2</sup> Quote from Audit Commission's public sector management paper 'Corporate Governance-Improvement and Trust in Local Public Services'

the year, and any planned changes in the coming period. Councils are encouraged to see the process of preparing the AGS as a process that adds value to its corporate governance and internal control framework.

### 3. Production of the 2013/14 AGS

3.1 Work on the development of the AGS has commenced. Compliance with key elements of the systems and processes that comprise the Council's governance arrangements as specified in the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework – Addendum' is being determined and mapped. The key elements are listed in Appendix A.

3.2 The timetable for the preparation of the Annual Governance Statement 2013/14 is shown below.

Month	Action	Responsibility
AUGUST 2013	GG approve the 13/14 timetable (6 <sup>th</sup> August). Review actions to date and future plans with 12/13 significant issues.	VB/GG VB/GG
NOVEMBER	Update on 12/13 Actions at GG meeting / Mid-Year Governance Review	KB/GG
DECEMBER	Update report on Corporate Governance Arrangements and process to produce the AGS reported to Audit Committee.	KB
JANUARY 2014	Template for AGS is reviewed against best practice, circulated to key officers for comment.	KB
FEBRUARY	Annual Governance Mini Statement Declaration issued to Senior Managers, drawing out findings from audit work for consideration. Review of any relevant assurances provided by External Bodies to date in year. Issues from audit work discussed and communicated. Potential issues for 2013/14 highlighted to CMT. Highlight any potential issues to Audit Committee.	MS/VB/KB  KB  VB/KB/MS  VB/KB/MS/ABH VB/KB/MS/ABH
MARCH	GG approve draft template for AGS, review declarations, consider new 2013/14 issues and final progress on 12/13 actions (closed or carried forward). Draft AGS to Governance Group for final Sign Off Draft AGS approved by CMT Business Meeting. Senior Management asked to formally confirm nothing further to add to their declarations since submission. Confirmation of no further issues arising from audit work.	VB/GG  VB/GG  VB/CMT  VB
APRIL	Draft AGS to Audit Committee	VB/AC

MAY	GG agree that draft stands or identify necessary changes based on recent developments. Back to CMT if necessary.	VB/GG VB/CMT
JUNE/ JULY	Audit Committee briefed on Corporate Governance Process FINAL DRAFT AGS to Audit Committee for FINAL approval AGS signed by Leader and Chief Exec	VB VB/AC VB
JUNE/JULY	Meet with External Audit to discuss process.	VB
SEPTEMBER	AGS reviewed and updated if required. Revised AGS is approved and signed off.	ABH, MS/VB

KEY: AC = Audit Committee; GG = Governance Group; CMT = Corporate Management Team; ABH = Andrew Blake-Herbert; MS = Mike Stringer; VB = Vanessa Bateman; KB = Kate Brunning.

- 3.3 The officer group is reviewing progress against the AGS action plan. A progress report will be presented to the Audit Committee in February 2014.
- 3.4 The Accounts and Audit (Amendment) (England) Regulations 2011 require the Council to publish the Annual Governance Statement by the end of September with the audited Statement of Accounts. The AGS should normally be approved at the same time as, or very near to, and no later than the statement of accounts. It is therefore proposed that the AGS is reviewed and updated to take account of any significant changes in the governance or control frameworks between the date of production and the publication date.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

Failure to produce an Annual Governance Statement would lead to a serious weakness in the Council's internal controls and would be a breach of its statutory duty.

### **Legal implications and risks:**

The Council is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk. (Regulation 4(1) Accounts and Audit (England) Regulations 2011/817.)

The Council must carry out an annual review of the effectiveness of its system of internal control which must be considered by the relevant committee and in the light of that review produce an annual governance statement prepared in accordance with proper practices in relation to internal control (Regulations 4 (2) and (3) Accounts and Audit (England) Regulations).

There are no apparent risks in noting the content of this Report.

**Human Resources implications and risks:**

None arising directly from this report

**Equalities implications and risks:**

None arising directly from this report

**BACKGROUND PAPERS**

None

## APPENDIX A: EXTRACT FROM THE DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK – ADDENDUM

Key elements of the systems and processes that comprise an authority's governance include arrangements for:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- reviewing the authority's vision and its implications for the authority's governance arrangements
- translating the vision into objectives for the authority and its partnerships
- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- ensuring effective management of change and transformation
- ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and, where they do not, explain why and how they deliver the same impact
- ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact
- ensuring effective arrangements are in place for the discharge of the monitoring officer function
- ensuring effective arrangements are in place for the discharge of the head of paid service function
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistleblowing and for receiving and investigating complaints from the public
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- enhancing the accountability for service delivery and effectiveness of other public service providers<sup>3</sup>
- incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships,<sup>4</sup> and reflecting these in the authority's overall governance arrangements.

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<sup>3</sup> In England this includes powers granted to local authorities under the Health and Social Care Act 2012 and the Police Reform and Social Responsibility Act 2011.

<sup>4</sup> *Governing Partnerships: Bridging the Accountability Gap* (Audit Commission, 2005).