

## AUDIT & GOVERNANCE COMMITTEE

7th JUNE 2018

### REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

#### ANNUAL GOVERNANCE STATEMENT & CODE OF CORPORATE GOVERNANCE

##### EXEMPT INFORMATION

None

##### PURPOSE

To inform Members of the Committee of the process followed in producing an Annual Governance Statement and revised Code of Corporate Governance in accordance with statutory requirements, and to approve the proposed draft Annual Governance Statement and Code of Corporate Governance.

##### RECOMMENDATIONS

**That the proposed**

- a) Annual Governance Statement be agreed by the Committee as appropriate for presentation to the External Auditor and for inclusion in the Annual Statement of Accounts; and**
- b) Code of Corporate Governance be agreed.**

##### EXECUTIVE SUMMARY

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires the Authority to conduct, at least once in a year, a review of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. This statement on the review of the effectiveness of its system of internal control is the Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with “Delivering Good Governance in Local Government: Framework (2016)(CIPFA/SOLACE)” – and fulfils the statutory requirement. The Account & Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to the accounts”.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Authorities should test their governance structures and partnerships against the principles contained in the Framework by:

- Reviewing existing governance arrangements
- Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The term “local code” essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

To achieve good governance, each authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. Each authority should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out in the Framework.

Authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which in turn, is consistent with the good governance principles in the Framework.

The key elements of the structures and process that comprise the Authority’s governance arrangements do not need to be described in detail on the Annual Governance Statement if they are already easily accessible through the Code of Corporate Governance.

The Accounts and Audit Regulations 2015 require that the Statement should be approved by a Committee of the Council – the Audit and Governance Committee is charged with this function.

The proposed Annual Governance Statement 2017/18 arising from these processes is attached as **Appendix 1** for Members’ consideration. It should be noted that the Annual Governance Statement only includes significant governance issues.

To achieve good governance, the Authority should be able to demonstrate that it is complying with the core and supporting principles contained in the Framework and should therefore develop and maintain a local Code of Corporate Governance appropriate to its circumstances and comprising the requirements for best practice as set out in the Framework. As such the Code of Corporate Governance 2018/19 has been reviewed and is attached as **Appendix 2**. The Code indicates what is expected as per the Framework (what assurance do we want) and what we have in place (what assurance do

we get) to ensure that the principles of good governance are met. The review has identified minor areas for improvement which had already been recognised by the Authority and action plans to address these are already in place. **Appendix 3** provides a summary of these areas. The Authority can demonstrate that it complies with the core and supporting principles and complies with best practice.

#### **RESOURCE IMPLICATIONS**

None

#### **LEGAL/RISK IMPLICATIONS**

Failure to produce an Annual Governance Statement would result in non-compliance with the Accounts and Audit Regulations 2015. There is a risk that failures in Governance would not be identified.

#### **SUSTAINABILITY IMPLICATIONS**

None

#### **BACKGROUND INFORMATION**

None

#### **REPORT AUTHOR**

Angela Struthers, Head of Internal Audit Services

#### **LIST OF BACKGROUND PAPERS**

Managers Assurance Statements

#### **APPENDICES**

**Appendix 1 Annual Governance Statement 2017/18**

**Appendix 2 Code of Corporate Governance 2018/19**

**Appendix 3 Action Plan Arising From The 2017/18 Assurance Process**

This page is intentionally left blank