



Committee report

Committee	AUDIT COMMITTEE
Date	19 MAY 2015
Title	DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15
Report of	BUSINESS IMPROVEMENT MANAGER

EXECUTIVE SUMMARY

1. This report provides the opportunity for the Audit Committee to consider how the council's annual governance statement will be developed and eventually approved so that it can be published with the council's financial accounts.
2. The council is required by the Accounts and Audit Regulations 2015 to undertake an annual review of its governance arrangements and to publish the results of that review in the form of an annual governance statement.

BACKGROUND

3. The Audit Committee plays an important part in the process of developing the council's annual governance statement, which stems from its role and core activities throughout the year, including:
 - its understanding of the robustness of the regime of internal control throughout the council because it receives reports from both internal and external auditors;
 - its review of the strategic and other risks of the council and the annual report it receives on the council's risk management arrangements (see elsewhere on this meeting's agenda);
 - receiving regular updates on issues which have been identified previously in reviews of governance;
 - receiving reports on the extent of fraud and other irregularity and on the level of whistleblowing activity;
 - receiving reports on procurement and treasury management activity;
 - receiving (in June) an annual opinion report on the adequacy of control operating within the council from the council's head of internal audit
 - reviewing the committee's core functions (which is specifically included within the scope of the annual governance statement)

The committee is well placed therefore to reach its own assessment of the quality of governance that operates within the council.

4. The council follows guidance issued by the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as to the way in which the annual governance statement should be developed and what it should cover. The main features concerning its development are that it should be an open and honest assessment of the council governance framework, acknowledging any known weaknesses, and that it should be underpinned by an assurance framework which is signed off by the council's executive management. The council's leader and managing director are required to sign the statement before it is published. Clearly, it is important that when weaknesses are identified during the process of compiling the statement, corrective actions are also developed to address those weaknesses. Appendix A sets out the key elements of the systems and processes that comprise the council's governance arrangements. These are elements which the committee needs to consider when developing and agreeing the statement for the year 2014/15.
5. The Committee has received three reports during the year which have a direct bearing on the quality and effectiveness of the council's governance arrangements:
 - An executive summary of the Internal Audit review of the Council's corporate governance (February 2015) which found that 'the Council's governance framework is in line with good practice' and that the 'review did not identify any significant gaps in arrangements'. [Internal Audit report Corporate Governance- Executive Summary](#)
 - A review of the Audit Committee's effectiveness (September 2014) which concluded that the Committee meets the core requirements as deemed by CIPFA [Review of Audit Committee Effectiveness](#)
 - An internal audit review of the Council's risk management arrangements (September 2014) [Internal Audit Report - Risk management - Executive Summary](#)
6. The committee has a further opportunity to review the draft statement before being asked to recommend it to the council's leader and managing director. The committee will be asked to approve the statement when it meets in June.

STRATEGIC CONTEXT

7. Corporate governance has far reaching implications for the effectiveness of the council. The key elements of governance set out at Appendix A illustrate its very wide scope including: the council's vision, objectives, quality of services, roles and responsibilities, behaviours and culture, decision-making process, risk management, management of change, arrangements for dealing with fraud and other irregularity, and includes the core functions of an audit committee. Good governance means a positive culture, where people

understand and live values, one which drives robust decision-making and in turn strong performance.

CONSULTATION

8. Only internal consultation has taken place in developing the draft statement with those members of the council's senior management who have responsibility for the issues, systems and processes set out in Appendix A. The council's Corporate Management Team (CMT) will have an opportunity to consider and agree the statement before it is presented to members at the next meeting of the Committee in June.

FINANCIAL / BUDGET IMPLICATIONS

9. There are no direct financial implications of the council reviewing its governance arrangements and publishing the annual governance statement. However, action plans to address any weaknesses identified will inevitably involve extra cost and in some circumstances that could be significant.

LEGAL IMPLICATIONS

10. The council is required by the Accounts and Audit Regulations 2015 to:
 - carry out a review of its system of internal control;
 - have the findings of the review considered by the members of the body or a committee;
 - approve an annual governance statement on the results of the review; and
 - ensure that the statement accompanies the council's statement of accounts (when published).

EQUALITY AND DIVERSITY

11. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership. Whilst the review of governance and the statement will cover equality and diversity, and how the council meets its legal obligations in that regard, there are no direct issues with the development of the statement itself.

OPTIONS

12. The committee is asked to consider the elements of the governance framework set out at Appendix A and to raise any concerns or weaknesses it perceives with the council's governance arrangements which it believes need to be highlighted in the statement in respect of 2014/15.

RISK MANAGEMENT

13. The key risk associated with the Council's published governance statement is that it does not accurately reflect the governance arrangements and that significant weaknesses go unreported and, critically, unaddressed. Management review, the process of assurance declarations and oversight by members (especially from the Audit Committee) helps to counter this risk.
14. One of the council's former strategic risks – Effective decision making (governance) deals with the risk of ineffective governance. However, senior management now consider that this risk can be managed as 'business as usual' and it has been 'stepped down'. This is an indication that senior management consider that the risk of ineffective governance is under control.

RECOMMENDATION

15. The Committee is asked to consider the elements of the governance framework set out at Appendix A and to raise any concerns or weaknesses it perceives with the council's governance arrangements and which it believes need to be highlighted in the statement in respect of 2014/15.

APPENDICES ATTACHED

16. [Appendix A](#) - Key elements of the systems and processes that comprise an authority's governance- (CIPFA/SOLACE Delivering Good Governance in Local Government : Framework December 2012)

BACKGROUND PAPERS

17. [Isle of Wight Council - Annual Governance Statement 2013-14](#)

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