



Committee report

Committee	AUDIT COMMITTEE
Date	26 SEPTEMBER 2016
Title	ANNUAL GOVERNANCE STATEMENT 2015-16
Report of	THE TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report presents the council's annual governance statement for 2015-16 for the committee's approval.
2. The council is required by the Accounts and Audit Regulations 2015 to undertake an annual review of the effectiveness of the system of internal control and to publish the results of that review in the form of an annual governance statement.

BACKGROUND

3. The council follows guidance issued by the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as to what the Annual Governance Statement should address. The council's leader and chief executive are required to sign the statement before it is published. When making the statement, it is important that any weaknesses are identified and corrective actions are also developed to address those weaknesses.
4. The Annual Governance Statement for 2015-16 is set out in the Appendix.

THE COMMITTEE'S ROLE IN RELATION TO THE ANNUAL GOVERNANCE STATEMENT

5. 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;
 - 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 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)
6. The committee is well placed therefore to reach its own assessment of the quality of governance that operates within the council.
 7. In addition, on today's agenda, the committee will have received a report by the Head of Internal Audit, the opinion report, which provides an overview of the council's internal control arrangements.
 8. An action plan will be prepared from the significant governance issues listed in the statement, and progress will be reported to the committee during 2016-17.

STRATEGIC CONTEXT

9. Corporate governance has far reaching implications for the effectiveness of the council. Good governance means a positive culture, where people understand values, which drives robust decision-making and in turn strong performance.

CONSULTATION

10. 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 the Appendix. The council's Corporate Management Team (CMT) has reviewed previous draft versions of the statement and has had an opportunity to confirm its accuracy.

FINANCIAL / BUDGET IMPLICATIONS

11. 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

12. The council is required by the Accounts and Audit Regulations 2015 to:
 - carry out a review of the effectiveness of its system of internal control;

- have the findings of the review considered by a committee or by members of the authority as a whole;
- approve an annual governance statement on the results of the review in advance of the approval of the statement of accounts; and
- ensure that the statement accompanies the council's statement of accounts (when published)

EQUALITY AND DIVERSITY

13. 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

14. Option 1 – The committee is asked to consider the Annual Governance Statement for 2015-16 at the Appendix and to raise any further concerns or weaknesses it perceives with the council's governance arrangements which it believes need to be highlighted in the statement.
15. Option 2 – subject to there being no changes required to the statement, the committee is asked to approve the Annual Governance Statement and to recommend it to the Chief Executive and Leader of the Council for signature before publication with the council's statement of accounts.

RISK MANAGEMENT

16. 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.

RECOMMENDATION

17. Option 2 – subject to there being no changes required to the statement, the committee is asked to approve the Annual Governance Statement and to recommend it to the Chief Executive and Leader of the Council for signature before publication with the council's statement of accounts.

APPENDICES ATTACHED

18. [Appendix](#) – Annual Governance Statement 2015-16.

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