



PAPER F

Purpose: For Decision

Committee report

Committee	AUDIT COMMITTEE
Date	25 SEPTEMBER 2017
Title	ANNUAL GOVERNANCE STATEMENT 2016-17
Report of/to	HEAD OF RESOURCES

EXECUTIVE SUMMARY

1. This report presents the council's annual governance statement for 2016-17 for the committee's consideration and 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 2016-17 and its associated appendices is set out at Appendix A.

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 supported by the assessment that has been undertaken by officers.
7. An action plan is proposed to address the governance issues highlighted that are considered to contribute to further strengthening the council's corporate governance arrangement. This is contained within the statement, and progress against it will be reported to the committee during 2017-18.

STRATEGIC CONTEXT

8. Corporate governance has far reaching implications for the effectiveness of the council and as such underpins the effective delivery of all the council's stated priorities. Good governance means the following
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Determining the interventions necessary to optimise the achievement of intended outcomes
 - Developing the council's capacity, including the capability of its leadership and the individuals within it.
 - Managing risk and performance through robust internal control and strong public financial management.
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability

CONSULTATION

9. Only internal consultation has taken place in developing the draft statement with service departments who have responsibility for the issues, systems and

processes set out in Appendix A, the chief internal auditor and the council's Cabinet and corporate management team.

FINANCIAL / BUDGET IMPLICATIONS

10. 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 could involve extra cost and may in some circumstances be significant. Conversely action plans could also lead to financial savings being secured.

LEGAL IMPLICATIONS

11. 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

12. 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, it is considered that there are no direct implications in the development of the statement itself.

OPTIONS

13. Option 1 – The committee approves the Annual Governance Statement and recommends, subject to further consideration being given by the Chief Executive and Leader of the Council to concerns or weaknesses it perceives there to be with the council's governance arrangements that could be highlighted in the statement and prior to their signature before publication with the council's statement of accounts.
14. Option 2 – The committee approves the Annual Governance Statement and recommends it to the Chief Executive and Leader of the Council for signature before publication with the council's statement of accounts.

RISK MANAGEMENT

15. It is a legal requirement under the Accounts and Audit Regulations 2016 to undertake a review of the effectiveness of the council's corporate governance arrangements and to seek approval of the resulting statement from a committee to enable its publication alongside the council's statement of accounts. Failure to approve the statement, with or without any proposed amendments will mean the council is in breach of its statutory duty.
16. The key risk associated with the Council's proposed governance statement is that it does not accurately reflect the corporate governance arrangements are consistent with the national code of practice and that full consideration has been given to afford the assurance to the committee. This could result in significant weaknesses going unreported and, critically, unaddressed. However, a significant amount of work has been undertaken to assess and review evidence available and which has been subject to senior management review and the process of assurance declarations and oversight by members (especially from the Audit Committee) helps to counter this risk.

RECOMMENDATION

17. Option 2 – The committee approves the Annual Governance Statement and recommends 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 A](#) – Annual Governance Statement 2016-17.

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