



## Committee report

Committee	<b>AUDIT COMMITTEE</b>
Date	<b>21 MAY 2018</b>
Title	<b>DRAFT ANNUAL GOVERNANCE STATEMENT 2017-18</b>
Report of	<b>HEAD OF RESOURCES</b>

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### EXECUTIVE SUMMARY

1. This report presents the council's draft annual governance statement for 2017-18 for the committee's consideration.
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 will be required to sign the final statement before it is published alongside the annual accounts. When making the statement, it is important that any weaknesses are identified and corrective actions are also developed to address those weaknesses.
4. The draft Annual Governance Statement for 2017-18 and its associated appendices is set out at Appendix A for consideration by the committee.

### 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. A draft action plan to address the governance issues highlighted thus far that are considered to contribute to further strengthening the council's corporate governance arrangement has begun to be prepared. This will be fully populated once all the necessary considerations of the committee and other sources of information as part of the governance review have been collated in readiness for final consideration by the Audit Committee on 30 July 2018.
8. The purpose of a draft plan being made available to Audit Committee is to allow a period of consideration to the statement in readiness for preparation of the final statement to be concluded and in readiness for publication alongside the annual accounts.

## STRATEGIC CONTEXT

9. 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

10. 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. A focus group has been held with a number of staff across the organisation in order to assess, measure and provide an informed view of the council's governance arrangements for consideration by audit committee members.

## FINANCIAL / BUDGET IMPLICATIONS

11. There are no direct financial implications of the council reviewing its governance arrangements and publishing the draft 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. These implications will be reviewed and included in the final report in July 2018

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

## OPTIONS

14. Option 1 – To agree the content of the draft annual governance statement.
15. Option 2 – To note the content of the draft annual governance statement and make recommendations for further matters to be considered in the preparation of the final statement in readiness for publication alongside the annual accounts.

## RISK MANAGEMENT

16. It is a legal requirement under the Accounts and Audit Regulations 2015 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.
17. 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

18. Option 1 – To agree the content of the draft annual governance statement.  
  
OR
19. Option 2 – To note the content of the draft annual governance statement and make recommendations for further matters to be considered in the preparation of the final statement in readiness for publication alongside the annual accounts.

APPENDICES ATTACHED

20. [Appendix 1](#) – Draft Annual Governance Statement 2017-18.

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