



Committee report

Committee	AUDIT COMMITTEE
Date	30 JULY 2018
Title	ANNUAL GOVERNANCE STATEMENT 2017-18
Report of	THE HEAD OF RESOURCES

EXECUTIVE SUMMARY

1. This report provides members with details of the statutory requirements under the Accounts and Audit Regulations 2015 to undertake an annual review of the effectiveness of the council's system of internal control and the considerations that members need to take into account when reviewing the content of the review completed for 2017-18.
2. The annual governance statement for 2017-18 is located at Appendix 1, together with its own addendum documents (Addendum A: the Isle of Wight Council's governance framework and Addendum B: Self-assessment). Members are now asked to approve the statement in readiness for signing by the Leader of the Council and Chief Executive and submission with the annual accounts for 2017-18.

BACKGROUND

3. The council follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as to the requirements of an annual review of the effectiveness of its internal governance arrangements and completion of the annual governance statement. 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. Members of Audit Committee were presented with a draft annual governance statement at their meeting of 21 May 2018 for consideration and to highlight any further items or concerns that needed inclusion within the final document.
5. The final annual governance statement for 2017-18 and its associated addendum are now set out at Appendix One for further consideration and approval by the committee.

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

6. 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)
7. 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.
8. The action plan contained within the annual governance statement aims to address the governance issues highlighted thus far that are considered necessary to contribute to further strengthening the council's corporate governance arrangements.

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. Wide consultation has taken place in developing the annual governance statement for 2017-18 with the council's corporate management team; service departments who have responsibility for the operation of governance systems and processes in practice; the Chief Internal Auditor and the Council's Cabinet Member for Resources as well as Audit Committee members at their meeting on 21 May 2018. A focus group was held with a number of staff across the organisation, to assist in the completion of the self-assessment that underpins the annual governance statement and to provide an informed view of the areas where improvements could be made.

FINANCIAL / BUDGET IMPLICATIONS

11. There are no direct financial implications of the council reviewing its governance arrangements and publishing the annual governance statement itself. 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. It is considered that all the activities set out in the action plan contained within the annual governance statement can be achieved from within existing resources.

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 annual governance statement itself will cover equality and diversity matters, 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 approve the annual governance statement for 2017-18.
15. Option 2 – To note the content of the 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 annual governance 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 annual governance statement is that it does not accurately reflect the corporate governance arrangements consistent with the national code of practice and that full consideration has not 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 consultation, senior management review and consideration by Audit Committee in draft form. The process of assurance declarations and oversight by members (especially from the Audit Committee) helps to counter this risk.

RECOMMENDATION

18. Option 1 – To approve the annual governance statement for 2017-18.

APPENDICES ATTACHED

19. [Appendix 1](#) - Annual Governance Statement 2017-18

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