

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 9 February 2016  
**Report for:** Information / Approval  
**Report of:** Audit and Assurance Manager

### Report Title

**Annual Governance Statement 2015/16 – Approach / Timetable**

### Summary

The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015. This report sets out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2015/16.

In facilitating the production of the Annual Governance Statement, the Audit and Assurance Service will use the guidance issued by CIPFA/SOLACE in December 2012 as a reference point throughout the process. (It is noted that this guidance is currently being updated by CIPFA/SOLACE and updated guidance is to be issued for the 2016/17 AGS).

The Accounts and Audit Committee have a role in reviewing the robustness of the statement prior to sign off by the Chief Executive and Leader. As has been the practice in previous years, the report proposes delegation of responsibility for this task to a smaller working group of the Committee.

### Recommendation

The Accounts and Audit Committee is asked to

- (a) Note the timetable / action plan;
- (b) Agree to delegate responsibility for reviewing the robustness of the Annual Governance Statement to a working group made up of the Chairman, Vice Chairman and opposition spokesperson.

### Contact person for access to background papers and further information:

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### **Background Papers:**

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) – “Delivering Good Governance in Local Government : Framework” (2012).
- CIPFA / SOLACE – “Delivering Good Governance in Local Government : Guidance Note for English Authorities \ 2012 Edition
- CIPFA Finance Advisory Network – The Annual Governance Statement Rough Guide for Practitioners.

## 1. Introduction

- 1.1 The Accounts and Audit Regulations 2015 set out requirements related to the Council's systems of internal control, and the annual review and reporting of those systems.
- 1.2 The Regulations require Councils to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which include the arrangements for the management of risk.
- 1.3 In addition, the Regulations require the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control. Following the review the Council must approve an **Annual Governance Statement** which then accompanies its Statement of Accounts. This assurance statement is made by the Chief Executive and Leader of the Council.
- 1.4 The Annual Governance Statement (AGS) should be prepared in accordance with "proper practices". Proper practices relate to guidance set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" and supporting guidance associated with this (referred to in section 2 of this report).
- 1.5 The deadline for completing the AGS is 30 September each year. CIPFA recommends as best practice, however, that a full draft version of the AGS should accompany the statement of accounts by the end of June.
- 1.6 This report sets out the Council's approach and timetable for producing its AGS for 2015/16. **No significant changes to the approach are planned, compared to the previous year.**
- 1.7 It should be noted, however, that CIPFA/SOLACE are in the process of updating their guidance on governance but it has been agreed that use of any updated guidance should be applied as part of preparing the 2016/17 Annual Governance Statement. Once the guidance is issued by CIPFA/SOLACE (expected to be in early 2016), Audit and Assurance will consider any changes required and take into account for work to be completed in the following year.

## 2. Governance

- 2.1 Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems, processes and controls, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate lead their communities.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

*(Source: CIPFA / SOLACE – Delivering Good Governance in Local Government).*

2.2 Effective governance arrangements are required to be in place to ensure that:

- the Authority's policies are implemented in practice;
- the Authority's values and ethical standards are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable;
- human, financial and other resources are managed efficiently and effectively, and;
- high-quality services are delivered efficiently and effectively.

The CIPFA/SOLACE framework provides a structure to assist authorities with their approach to governance and the production of the Annual Governance Statement. In producing the 2015/16 AGS, the guidance will be taken into account throughout the process.

2.3 Authorities are encouraged to test their governance arrangements against the principles contained in the Framework. The Framework, as to be applied for the 2015/16 AGS, adopts six core principles that must be considered when defining good governance:

- Focusing on the purpose of the authority and the outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

2.4 In order to meet the expectations of the Corporate Governance framework, local authorities are expected to do the following:

- Review their existing governance arrangements against the Framework.
- Maintain a local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
- Prepare an **Annual Governance Statement** (As required in the Accounts and Audit Regulations 2015) in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

2.5 Trafford Council's Corporate Governance Code (last updated in June 2015) reflects the core principles outlined in the CIPFA Framework and states the arrangements in place to ensure governance arrangements are reviewed annually and reported on through the AGS.

### 3. The Process to Support the Annual Governance Statement

3.1 The Audit and Assurance Service is responsible for facilitating the production of the AGS which is the Authority's statement on its governance processes. The proposed timetable reflects input from Members and officers to the process.

3.2 The following arrangements are in place to enable the production of the AGS in 2015/16.

#### a) Annual Review of Corporate Governance (Assurance Gathering process)

The Audit and Assurance Service is responsible for undertaking an annual assessment to evaluate the position against the Council's Corporate Governance Code.

This will include an assurance mapping exercise to identify potential sources of assurance available with the aim of:

- Mapping all systems / processes in relation to which assurance is required in accordance with the existing CIPFA framework.
- Identifying existing sources of assurance to confirm that key controls / risks are operating / managed effectively. Sources include:
  - **Management Controls** including legal compliance, performance management, and risk and financial reporting functions operating at corporate and directorate level;
  - **Internal assurance** including Internal Audit, other compliance functions and internal review work;

- **External assurance** e.g. External auditor and other inspectorates, partner's compliance functions etc.

The Audit and Assurance Service will facilitate the coordination and reporting of available assurance evidence: both internal and external, (including consideration of the extent that reliance can be placed on the assurance available). This will require support from managers in providing the appropriate information required. Findings and recommendations from this exercise will be reported via the Corporate Management Team and any significant issues reported publicly through the AGS. In drafting the AGS, the Audit and Assurance Service will review the level of content in the document with the aim to provide a balance between being a concise document but ensuring key issues are covered satisfactorily.

In addition, as part of this process, the Council's Corporate Governance Code will be reviewed, and updated if applicable, to ensure it remains appropriate and up to date in accordance with CIPFA guidance.

## **b) Production and Approval of the Annual Governance Statement**

- Input from Members and officers to produce and approve the 2015/16 AGS. This includes:
  - Directors and senior managers, with co-ordination from the Audit and Assurance Service to contribute to the content of the Statement.
  - CMT, Directors and senior managers to review the adequacy/robustness of the Statement.
  - Accounts and Audit Committee Sub Group to review the draft Statement and the process supporting it.
  - Sharing of the Statement with the External Auditor.
  - Chief Executive and Leader to agree the draft AGS which is then to be presented to the Accounts and Audit Committee at its June 2016 meeting.
  - Accounts and Audit Committee to approve the final version of the AGS, which is signed by the Chief Executive and Leader, and accompanies the Council's final accounts at the September 2016 meeting.

The planned timetable for the process of producing the AGS is in Appendix A.

The recommended elements of the process based on CIPFA guidance is represented in Appendix B, although as noted above this is being updated.

#### **4. Benefits of the Process**

- 4.1 It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and also identifies where strengths and areas for improvement exist in those arrangements. Where significant governance issues are identified, progress against any agreed development actions are reported to the Accounts and Audit Committee.

**Action Plan to enable the production of the Annual Governance Statement for 2015/16**

Actions Required	Timescale
<ul style="list-style-type: none"> <li>CMT / Accounts and Audit Committee to receive report outlining the Authority's approach to the Annual Governance Statement for 2015/16.</li> </ul>	February 2016
<ul style="list-style-type: none"> <li>Obtain assurance on risk management processes / management of strategic risks – final update of Strategic Risk Register for 2015/16 to be agreed by TPR&amp;CMT and reported to the Accounts and Audit Committee.</li> </ul>	March 2016
<ul style="list-style-type: none"> <li>Audit and Assurance review and evaluation of the Authority's actual position in relation to its Corporate Governance Code.</li> </ul>	End of May 2016
<ul style="list-style-type: none"> <li>Production of the Annual Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2015/16 providing assurance relating to key systems, procedures and controls in place across the Council.</li> </ul>	End of May 2016
<ul style="list-style-type: none"> <li>Complete collation of evidence to support the production of the draft Statement including both internal and external assurance.</li> </ul>	End of May 2016
<ul style="list-style-type: none"> <li>Production of a first draft of the Annual Governance Statement for review by / comment from senior officers, Members and the External Auditor (co-ordinated by the Audit and Assurance Service in consultation with CMT).</li> </ul>	Draft AGS shared with CMT – early June 2016 & Grant Thornton – mid June 2016
<ul style="list-style-type: none"> <li>Accounts &amp; Audit Committee (through appointed working group) to review robustness of the Annual Governance Statement.</li> </ul>	Mid June 2016
<ul style="list-style-type: none"> <li>The Audit and Assurance Service to co-ordinate production of the draft Annual Governance Statement incorporating the above.</li> </ul>	Mid June 2016
<ul style="list-style-type: none"> <li>Completed Draft Annual Governance Statement for 2015/16 to be agreed by the Chief Executive and Leader and presented to the Accounts and Audit Committee.</li> </ul>	End of June 2016.
<ul style="list-style-type: none"> <li>Final Annual Governance Statement 2015/16, signed by the Chief Executive and Leader, to be submitted to accompany the final accounts and approved by the Accounts and Audit Committee.</li> </ul>	September 2016

# ANNUAL GOVERNANCE STATEMENT FRAMEWORK

## Appendix B





