

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 6 February 2019  
**Report for:** Approval  
**Report of:** Head of Governance

### Report Title

**Annual Governance Statement 2018/19 – 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 2018/19.

In facilitating the production of the Annual Governance Statement, the guidance issued by CIPFA/SOLACE in April 2016 will be used as a reference point during the process.

### Recommendation

The Accounts and Audit Committee is asked to

- (a) Note the timetable / action plan;
- (b) Note that the Committee will have input to reviewing a draft version of the Annual Governance Statement prior to it being finalised and signed off by the Chief Executive and Leader.

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

Name: Peter Forrester – Head of Governance  
Extension: 1815

### **Background Papers:**

None

## 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 31 July in line with the deadline for approval of the accounts. In addition, in accordance with best practice, a full draft version of the AGS will be shared with the Accounts and Audit Committee in advance of this.
- 1.6 This report sets out further detail regarding the Council's approach and timetable for producing its AGS for 2018/19.

## 2. Governance

- 2.1 As defined by the International Framework: Good Governance in the Public Sector (CIPFA/IFAC – 2014):

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."

- 2.2 The CIPFA/SOLACE framework provides a structure to assist authorities with their approach to governance and the production of the AGS. The framework

and supporting guidance was updated for in 2016 and in producing the 2018/19 AGS, the guidance will be taken into account through the process.

2.3 Authorities are required to review their governance arrangements against the principles contained in the Framework. The Framework, as to be applied for the 2018/19 AGS, adopts seven core principles that must be considered when defining good governance:

- 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 the intended outcomes.
- Developing the Entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective 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.

2.4 Trafford Council's Corporate Governance Code (last updated in June 2018) 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. The Code will be updated to reflect the updated CIPFA/SOLACE guidance comprising the principles set out in 2.3.

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

- 3.1 The Corporate Director for Governance and Community Strategy is responsible for facilitating the production of the AGS which is the Authority's statement on its governance processes.
- 3.2 The proposed timetable for producing the AGS reflects input from Members and Officers to the process.
- 3.3 The following arrangements are in place to enable the production of the AGS in 2018/19:

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

The Corporate Director for Governance and Community Strategy 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 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.

Democratic Services will facilitate the coordination and reporting of available assurance evidence, both internal and external. This will require support from managers in providing the appropriate information required.

Significant governance issues will be raised with the Corporate Leadership Team as part of the process for agreeing the content of the AGS.

In addition, as part of this process, the Council's Corporate Governance Code will be updated where applicable to ensure it reflects changes including the updated CIPFA/SOLACE guidance.

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

- Input from Members and Officers to produce and approve the 2018/19 AGS includes:
  - Directors and senior managers, with co-ordination from the Democratic Services to contribute to the content of the Statement.
  - CLT, Directors and senior managers to review the adequacy/robustness of the Statement.
  - Chief Executive and Leader to agree the draft AGS.
  - Draft Annual Governance Statement to accompany the draft accounts to be provided to the External Auditor.
  - Draft Annual Governance Statement to be shared with the Accounts and Audit Committee.
  - 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.

3.4 The planned timetable for the process of producing the AGS is in the Appendix. This may be subject to change following any further guidance from CIPFA.

### **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 identifies where strengths and areas for development exist in those arrangements. Where significant governance issues are identified, progress can be monitored as required through the year (and reflected within the following year's AGS).

## Appendix

### Action Plan to enable the production of the Annual Governance Statement for 2018/19

| Actions Required   | Completion date |
|--|-----------------|
| <ul style="list-style-type: none"> <li>Accounts and Audit Committee to receive report outlining the Authority's approach to the Annual Governance Statement for 2018/19.</li> </ul>  | 6 February 2019 |
| <ul style="list-style-type: none"> <li>Obtain assurance on risk management processes / management of strategic risks – final update of Strategic Risk Register for 2018/19 to be agreed by CLT and reported to the Accounts and Audit Committee.</li> </ul>  | March 2019      |
| <ul style="list-style-type: none"> <li>Production of the Annual Head of Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2018/19 providing assurance relating to key systems, procedures and controls in place across the Council.</li> </ul> | May 2019        |
| <ul style="list-style-type: none"> <li>Review and evaluation of the Authority's actual position in relation to its Corporate Governance Code. Complete collation of evidence to support the production of the draft Statement.</li> </ul>  | April/May 2019  |
| <ul style="list-style-type: none"> <li>Production of a first draft of the Annual Governance Statement and updated Corporate Governance Code for review by / comment from senior officers (co-ordinated by Democratic Services in consultation with CLT).</li> </ul>                                | May 2019        |
| <ul style="list-style-type: none"> <li>Updated Corporate Governance Code and completed Draft Annual Governance Statement for 2018/19 to be agreed by the Chief Executive and Leader and shared with the External Auditor (end of May) and Accounts and Audit Committee (June).</li> </ul>          | May/June 2019   |
| <ul style="list-style-type: none"> <li>Final Annual Governance Statement 2018/19, 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>   | July 2019       |

