

## Draft Annual Governance Statement 2016/2017

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Cabinet Member: Cllr D Hall, Cabinet Member for Resources

Division and Local Member: All

### **1. Summary/link to the County Plan**

- 1.1. This report invites members of the Audit Committee to consider the attached draft Annual Governance Statement (AGS) for the County Council.

Subject to members' approval, this will then be signed by the Leader of the Council and the Chief Executive, and the Statement will form part of the 2016/2017 Statement of Accounts.

- 1.2. Good governance, as evidenced in the Annual Governance Statement, is an essential pre-requisite to any organisation pursuing its vision effectively, and underpins that vision with effective control mechanisms and risk management.

### **2. Issues for consideration**

- 2.1. Members of the Audit Committee are asked to comment on and approve the content of the draft Annual Governance Statement for 2016/2017 (Appendix A).

### **3. Background**

- 3.1. The Accounts and Audit (Amendment) (England) Regulations 2015 require the County Council as proper practice to produce an Annual Governance Statement to sit alongside the County Council's accounts. The purpose of this statement is to provide assurance that the County Council has a sound governance framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives. The production of an Annual Governance Statement is therefore a mandatory requirement.
- 3.2. The County Council is also required to carry out, at least annually, a review of effectiveness of its governance framework. This review of internal controls provides additional assurance that the Statement of Accounts gives a true and fair view of the County Council's financial position at the reporting date and its financial performance during the year.

This review was undertaken by the officers on the Governance Board, (which includes both the Monitoring Officer and the s151 Officer), and was informed by a wide range of internal and external sources. The review sought to consider

whether there were any serious governance issues and what actions would be needed to deal with them.

The process was carried out in line with guidance published in 2016 by CIPFA / SOLACE in the new “Delivering Good Governance in Local Government”. This updated framework applies to all Annual Governance Statements prepared for the financial year 2016/2017 onwards, so this is the first time that we have undertaken the review and produced the Statement under these criteria. As is typical with requirements, there are extensive Guidance Notes as to how to complete the exercise. In reality, the format for the Annual Governance Statement is heavily prescribed for us.

The circular diagram included in the Annual Governance Statement shows the 7 key principles of governance that authorities are obliged to consider. Beneath each of these principles are a number of sub-principles and beneath the sub-principles are behaviours and actions that would demonstrate compliance (91 in total). There are also examples of what could be used to demonstrate such compliance.

Our approach was to delegate the responses to the appropriate officer (e.g. the Monitoring Officer for anything constitutional), and where possible to use existing documentation and links in responding. The output has been a spreadsheet detailing the evidence in some considerable detail. This has been sent to the external auditors, for them to review and consider against what they know about the organisation. The 7 relevant sections in the Annual Governance Statement have been drafted very much from our detailed review.

**3.3.** The results and conclusions of this detailed review are positive, and in line with the Healthy Organisation report.

There are a very few areas amongst the 91 behaviours where we cannot demonstrate complete compliance:-

- The framework suggests that “members appraisals” would be one possible example under the “behaving with integrity” principle. There is no Council appraisal of the performance of individual councillors, but we do have a Members Code of Conduct and a Standards Committee. It is our understanding that we are not along amongst local authorities in this respect.
- One behaviour is to ensure that external providers of services are required to act with integrity and high ethical standards. It is very difficult for us to actually “ensure” this.

There are a number of ways we try to manage in this area, such as anti-collusion declarations during any tendering process, qualitative measures in our contract appraisal, agreements in place when we enter into partnerships for service delivery, and the provisions of our Anti-Fraud policy, where “zero tolerance” extends to everyone.

**The conclusions from this latest review are that we still have a strong governance framework in place, and that we can demonstrate our compliance.**

This is not to say that we can fully mitigate our risks, nor that we can ensure full compliance with our governance. This could be shown in some “Partial” assurance audits that will come to Audit Committee in the future, and potentially in breaches of Codes of Conduct and necessary HR actions. But, officers have confidence that the “building blocks” are in place.

- 3.4.** There are other sections of the Annual Governance Statement that are required in order to give greater assurance about our arrangements, either through the Delivering Good Governance in Local Government framework itself or from other CIPFA publications.

The CIPFA Statement of the Role of the Chief Financial Officer in Local Government is a specific requirement. The ability of the s151 officer to be involved in and influence the strategic direction of the authority is an essential control, particularly as the financial situation for all authorities remains a high risk. It would be a serious governance issue if we could not demonstrate that the s151 officer was in a position and had the necessary attributes to carry out his statutory role. The table in the Statement confirms our compliance in this matter.

- 3.5.** In accordance with the CIPFA “disclosure requirements”, when the draft Annual Governance Statement is approved, the Governance Board will turn the remaining outstanding issues and forward work into a single Action Plan. This will comprise all the steps that officers believe would further strengthen our governance. Many of these will already be on-going actions, such as the continual review of the Constitution and key financial policies.

This process is helped by the relatively recent Healthy Organisation report produced by SWAP, which covers these areas well, and already includes an agreed Action Plan for improvement. Governance Board will add to this Plan as necessary.

Progress with the delivery of this year’s Action Plan will be kept under regular review by the Governance Board and reported back to members during 2017/2018.

- 3.6.** Best practice suggests that the Annual Governance Statement should reflect the unique features and challenges of the County Council, and that it should also be forward looking. This year’s Statement has again deliberately included Somerset examples of both good governance measures that have been implemented locally, and also of the significant challenges ahead. By doing so, it also highlights some of the areas, which if not controlled, could present additional corporate risks in 2017/18. For example, this includes where we are rolling out new ways of delivering services to our residents and undertaking significant major projects
- 3.7.** The contents of the Annual Governance Statement will need to be reviewed immediately before the publication of the final accounts to ensure that the

governance framework and risks have not significantly changed since the review was carried out.

This will give Audit Committee members a final opportunity to review and confirm that the Statement (at the July meeting) is in accordance with their understanding.

- 3.8.** The Council continues to go through a period of great change, as it delivers of the Council's objectives with fewer resources and through new mechanisms for delivery. All these changes increase the potential risk, which must be recognised and managed.

The Governance Board therefore believes that it is even more important to ensure that strong governance continues throughout the organisation.

#### **4. Consultations undertaken**

- 4.1.** The Monitoring Officer and the Responsible Financial Officer have both been consulted in the preparation of the Annual Governance Statement. Members of Governance Board have been actively involved in the preparation of the Annual Governance Statement, and we have also held discussions with officers in other key areas, such as HR and Communications.

#### **5. Implications**

- 5.1.** All included above.

#### **6. Background papers**

- 6.1.** Delivering Good Governance in Local Government: a framework (CIPFA/SOLACE)

The Role of the Chief Financial Officer in Local Government (CIPFA)

**Note** For sight of individual background papers please contact the report author