



**Policy, Finance and  
Development  
Committee**

**22 September  
2015**

**Matter for  
Information and  
Approval**

**Title: Annual Governance Statement 2014/15**

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## **1. Introduction**

The purpose of this report is to advise Members on the content of the Council's Annual Governance Statement for 2014/2015 following the review of the effectiveness of the Council's system of internal control.

All Local Authorities are required to produce in line with proper practice and guidance an Annual Governance Statement (AGS). The purpose of the AGS is to set out and evaluate the Council's corporate governance arrangements. This year the AGS format has been reviewed and reflects the Local Code of Corporate Governance. The AGS must be approved by this committee prior to its certification by the Leader of the Council and Chief Executive, and published alongside the Council's Statement of Accounts.

Good governance arrangements are also essential in ensuring we get the basics right. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately a good outcome for citizens and service users. The AGS articulates these arrangements along with the updated action plan have been included as Appendix 1.

This paper provides the Committee with the draft Annual Governance Statement 2014/15 ahead of formal approval by this Committee in September 2015.

The Accounts and Audit Regulations 2011 have established requirements that all Local Authorities must adhere to in relation to systems of internal control. This has implications for the whole Authority and all its services. 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.

The Council is required to review at least annually the effectiveness of the system of internal controls and make a statement on that alongside the Statement of Accounts.

Whilst the legislation requiring this statement is placed within the Accounts and Audit Regulations, this is not just an accounting or auditing issue. The Annual Governance Statement is a key measure of the overall effectiveness of the Authority.

As part of the production of the Annual Governance Statement assurance is required from all services regarding their current systems procedures and accompanying controls operated. All services have therefore been asked to complete a service assurance assessment and any issues have been reflected in this document.

## **2. Recommendations**

That the Annual Governance Statement (2014/15) as set out in Appendix 1 be approved and referred to the Leader of the Council and Chief Executive for formal certification.

## **3. Background**

The Council has a statutory requirement to produce an Annual Governance Statement (AGS) in accordance with delivering good governance in Local Government Framework and Guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

The purpose of the AGS is to report publically on the extent to which the Council complies with its own code of governance known as the Local Code, including how they have monitored the effectiveness of their governance arrangements in year, or any planned changes in the current period. The process of preparing the Governance Statement should itself add value to the corporate governance and the internal control framework of an organisation.

In March 2010 further guidance was issued by CIPFA on the application of the role of the Chief Financial Officer in local Government and how the AGS can reflect compliance with the requirements of the role as set out in the CIPFA statement. The AGS includes a specific statement confirming that the Council's arrangements conform to the governance requirements of the CIPFA statement.

In December 2012 CIPFA refreshed its' previous framework and guidance last issued in 2007 and whilst the six principals of good governance remain the same, as did the supporting principals, the suggested evidence in which a Council could rely on for its commitment and seek assurances was updated.

A Local Government review published by Grant Thornton in 2013 reported on how organisations in the public sector could improve their governance by learning from other sectors and their peers. The report emphasised that effective imbedded governance frameworks are essential if Councils are to meet the challenges faced by Local Government whilst retaining the support of their stakeholders. The findings produced in the report highlighted that whilst considering the CIPFA/SOLACE guidance, each Council should capture its own priorities and achievements so local residents can recognise their own Council in the statement. The Council has previously expressed its' commitment in its Local Code of Corporate Governance to the six core principals of good governance and the underpinning principals as set out in the CIPFA/SOLACE guidance. The AGS provides an update against how the Council is responding to these main principals. The Councils local core of proper governance was last reviewed and adopted at Council in 2011.

In line with the Accounts and Audit Regulations (2011) from 31 March 2011 the AGS accompanies the Financial Statements rather than included within them. The purpose of this change was to make clear that the AGS is not part of the Statements on which the auditor's opinion is given. However, a Council has discretion to decide whether it should be part of the same document as the Accounting Statements or be issued as a separate document. For this Council it was decided to continue to publish the AGS together with the Statement of Accounts. In addition, this committee must approve the AGS prior to its formal certification by the Leader and the Chief Executive.

Councils need to adopt a Local Code of Corporate Governance that sets out a commitment to corporate governance and how the approved code will be developed and implemented.

Within Oadby & Wigston Borough Council corporate governance operates to:

- Establish and monitor the Council's vision and objectives
- Facilitate policy and decision making
- Ensure compliance with policies, procedures, laws and regulations
- Ensure that economic efficient and effective use of resources and secure continuous improvements
- Enable the financial management of the Council and financial reporting
- Support delivery of high quality services and effective performance management
- Identify and manage the Council's risk.

The CIPFA/SOLACE framework applied by the Council focuses on six key principals of corporate governance and sets out a process that should be followed to enable the Authority to review and improve governance arrangements. These actions have been applied by officers and are summarised below:

- Review existing governance arrangements against the CIPFA/SOLACE framework
- Develop and maintain an up-to-date Local Code of Governance including arrangements for ensuring its ongoing application and effectiveness
- Prepare a governance statement on an annual basis to include how the effectiveness of governance arrangements have been monitored in the year and any planned changes in the coming period
- Consider the extent to which the Council complies with the principals and requirements of governance as set out in the model
- Identify systems, processes and documentation that provide evidence of compliance
- Identify the individuals and committees responsible for monitoring and viewing the systems, processes and documentation identified
- Identify the issues that have not been addressed adequately in the Council and consider how they should be addressed
- Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

The CIPFA/SOLACE principals are:

- A clear definition of the Authority's purpose and desired outcomes focussing on the purpose of the Authority and on outcomes for the community and creating and implementing the vision for the local area
- Well-defined functions and responsibilities – members and officers working together to achieve a common purpose with clearly defined functions and roles
- An appropriate corporate culture promoting values for the Authority demonstrating the values of good governance to upholding high standards of conduct and behaviour
- Transparent decision making taking informed and transparent decisions which are subject to effective scrutiny and managing risks
- A strong governance team developing the capacity and capability of members and officers to be effective

- Review accountabilities to stakeholders, engaging with local people and other stakeholders to ensure robust public accountability.

The signatories to the Annual Governance Statement (the Leader of the Council and Chief Executive) must be satisfied that the document is supported by reliable evidence and that procedures are in place to demonstrate this.

At a corporate level assurance of compliance requires the assessment of local procedures and arrangements against the principals and requirements of governance.

At service level assurance of compliance with the principals and requirements of good governance requires all Heads of Service to complete, certify and return of Service Assurance Statements each year.

As a result of the assessment of governance arrangements and procedures, actions were identified to improve the high quality of governance arrangements already in place for the Council. Any actions considered significant are included in the Annual Governance Statement attached as Appendix 1.

#### **4. Options**

The alternative option is to defer its referral to the Leader of the Council and the Chief Executive. This is not considered appropriate due to the requirement for documents to be formally certified.

#### **5. Legislation Policy**

The preparation and publication of the AGS in accordance with the CIPFA/SOLACE framework is necessary to meet the statutory requirements set out in Regulation 4 (3) in the Accounts and Audit Regulations 2011.

Effective Corporate Governance practice is essential if the Council is to demonstrate that it is acting in the best interests of the governing legislative framework in the community it serves. The Corporate Governance arrangements are tested through a number of audit channels and studies.

#### **6. Financial Implications**

Robust scrutiny of the Council's Annual Governance Statement and framework applied in line with best practice will further strengthen the Council's sound base of strong financial management and assist in reducing risk.

#### **7. Risk Management Implications**

A strong internal control environment contributes to the overall effective management of the Council and will minimise the risk of the council failing to achieve its' ambitions and priorities and service improvements.

Without robust governance arrangements there are potential service continuity and reputation risk implications.

## 8. Inclusion, Diversity and Community Cohesion Implications

Ensuring the Council has arrangements in place to ensure inclusion, diversity and community cohesion forms part of the Council's governance arrangements.

## 9. Other Relevant Considerations

All aspects of the work of the Council are affected by the corporate governance regime as well as the Council's partners in service delivery and other agencies in which the Council shares information. External bodies in particular need to have confidence in the way the Council operates and this can be achieved by demonstrating robust corporate governance arrangements that are fully embedded.

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Implications	
Financial (JD)	Please see paragraph 6 above
Risk (JD)	Please see paragraph 7 above
Equalities (JD)	Please see paragraph 8 above
Legal (JD)	Please see paragraph 5 above

### Background Papers:-

- CIPFA/SOLACE document – delivering good governance in Local Government
- Oadby & Wigston Borough Council – local code of corporate governance
- Audit Commission – annual audit and inspection letter.
- Internal Audit Annual Report 2014/15

## 10. Appendices

- Appendix 1 – Annual Governance Statement 2014/15