



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
25th June 2015	
9:30am	<u>Public</u>

ANNUAL GOVERNANCE STATEMENT (AGS) AND REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S SYSTEM OF INTERNAL CONTROLS 2014/15

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1. Summary

The Council is required under Regulation 4(3) of the Accounts and Audit Regulations 2011, to produce an Annual Governance Statement to accompany the annual statement of accounts, which must be signed by the Leader of the Council and the Head of Paid Service. This statement should be considered following a review of the effectiveness of the Council's system of internal controls as required by the Accounts and Audit Regulations 4(2). Members are asked to consider the proposed statement, the basis on which it has been compiled and comment on its contents, this will help ensure that it remains a true reflection of the internal controls of the Council for 2014/15.

2. Recommendations

The Committee is asked to consider and approve with appropriate comment, the Annual Governance Statement 2014/15 at **Appendix A**.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. Risk management is part of the overall internal control arrangements and contributes to the Council's strong governance. In compiling the AGS this year we have adopted a slightly different approach. Traditionally actions for improvement following a review of governance at the Council are mapped across to strategic risks as an operational process in the background. This year, the AGS has been drafted based on information contained in the risk register alongside data from assurance statements and officer review groups. The strategic risk register is regularly monitored and updated by senior managers and is a useful, up to date tool to identify governance issues. Consequently this creates a clear link between the AGS, the strategic risk register and business planning and performance.

- 3.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.
- 3.3. There are no environmental consequences of this proposal and consultation has been used to inform the Annual Governance Statement by seeking assurances from senior officers as to the effectiveness of internal controls.

4. Financial Implications

- 4.1. There are no financial implications in respect of the Statement, these may arise when implementing future improvement activities and will be reported separately.

5. Background

- 5.1 Shropshire Council is required to prepare an Annual Governance Statement; a statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011. In doing so the Council complies with the principles of corporate governance set out in the CIPFA/SOLACE Good Governance Framework (2007- reviewed and revised in 2012). The framework is a discretionary code but the Council is judged against it as part of best practice. The original framework outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community. In July 2014, a joint report from CIPFA and the International Federation of Accountants (IFAC) was produced on the, "International Framework: good governance in the Public Sector". This report looks at governance across all public sector bodies and in reviewing the Annual Governance Statement has been referred to and used to further inform the process.
- 5.2 Both frameworks emphasises that good governance should be corporately owned. The degree to which the Council follows these principles should be declared in its Annual Governance Statement. The purpose of the Annual Governance Statement is to provide assurance that the Council has sound governance arrangements in place that are supported by effective systems of internal control.
- 5.3 The six core principles referred to in the CIPFA framework defining the principles of good governance are:
 - i) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
 - ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 - v) Developing the capacity and capability of members and officers to be effective.
 - vi) Engaging with local people and other stakeholders to ensure robust public accountability.

- 5.4 In line with best practice the Council's existing Code of Corporate Governance has been reviewed and compliance assessed in light of the guidance issued.
- 5.5 In compiling the Annual Governance Statement the guidance identifies it should include the following information:
- i) Scope of Responsibility.
 - ii) The purpose of the governance framework.
 - iii) A description of the governance framework and the key elements of the systems and processes that comprise the authority's governance arrangements.
 - iv) Review of effectiveness.
 - v) Significant governance issues including an outline of the actions taken, or proposed, to deal with any significant governance issues identified.
- 5.6 The Annual Governance Statement is a key corporate document with the Chief Executive (CEO and Head of Paid Service) and the Leader having joint responsibility as signatories for its accuracy and completeness. It is also important that all other senior officers provide assurances to the process. The preparation of the Annual Governance Statement will be overseen and approved by directors supported by senior management as a corporate document which is owned by all senior officers and members.
- 5.7 In compiling the Annual Governance Statement assurance a review of the effectiveness of the Council's systems of internal controls, as required by the Accounts and Audit Regulations 2011 4(2), is conducted and information is obtained from a range of sources so that the signatories to the Statement can assure themselves that it reflects the governance framework for which they are responsible. **Annex A** of the Annual Governance Statement Framework 2014/15, clearly identifies the areas from which assurance and supporting evidence has been obtained to support the Annual Governance Statement and therefore demonstrates the effectiveness of the Council's systems of internal control and further key assurances are provided from the:
- i) CEO/ Head of the Paid Service.
 - ii) Directors and senior management.
 - iii) Head of Finance, Governance and Assurance, Section 151 Officer and Responsible Financial Officer.
 - iv) Head of Legal, Democratic and Strategic Planning Services, Monitoring Officer.
 - v) Audit Service Manager.
 - vi) Performance and risk management officers and
 - vii) External Audit and other review agencies.
- 5.8 Where any significant governance issues are identified within the assurances received these must be identified in the Annual Governance Statement.
- 5.9 The Annual Governance Statement is a key document which identifies the strong systems and processes the Council has in place contributing to our continuing high standards or corporate governance. A copy of the Statement is attached as **Appendix A**.

5.10 The Council has identified the following significant governance issues.

“The main challenges facing the Council appear below and are set in the context of delivering services to acceptable standards whilst achieving the budget savings required in 2015/16 and the overall funding gap of £80m as identified as part of the Business Plan and Financial Strategy. To ensure this is delivered and strategic risks managed, the Council will:

- *Identify a clear ICT Strategy for future delivery and as part of this, improve the IT infrastructure to ensure it is fit for purpose, robust, PSN compliant and provides cover for business continuity. The ICT Strategy should be fully aligned to the Council’s Asset Strategy, Digital Strategy and Customer Involvement Strategy and the Council’s Business Plan and Financial Strategy.*
- *Regularly monitor and review delivery against the second year of the Council’s Business Plan and Financial Strategy and adjust plans as required at Director and Cabinet levels to achieve a balanced budget. Ensuring that supporting strategies, i.e. ICT and Workforce development align closely.*
- *Regularly monitor and review delivery of the Council’s Business Plan and Financial Strategy to deliver outcomes whilst managing demand and delivering value for money through commissioning.*
- *Ensure that the staffing resources, given the changing shape of the Council, continue to remain skilled, knowledgeable and appropriate to deliver the Council’s business plans. Especially for commissioning and ICT resources. Implement a workforce plan aligned to business plans and supported by our staff development processes.*
- *Continue to build in appropriate governance arrangements into the commissioning Council to maximise value for money and ensure the best return for the local tax payer. Including: developing a more cohesive and robust way of monitoring contracts as part of the re-design of Council functions; further clarifying commissioning intentions (stop/do/buy); coordinating operationalisation of locality working and Improving transfer arrangements to ADMs.*
- *Ensure robust business cases for any project involving redesign and new delivery models are properly constructed, appropriately consulted upon and scrutinised to ensure they meet the requirements of the Business Plan and Financial Strategy and are financially viable before any implementation decision. Business cases should follow the guidance available on the Intranet.*
- *Review safeguarding governance arrangements and processes in consultation with key stakeholders”.*

5.11 The associated risks have been identified, remain under close review and will be managed throughout the year given that they are key to ensuring the continued delivery of high quality services.

5.12 Action plans and programmes of monitoring and evaluation are in place and are regularly updated to support both of these issues over the current and future years. An overall outcome report will be made to the Audit Committee at the end of the year.

5.13 The action plan attached to the 2014/15 statement has been reviewed, details of which are incorporated into the AGS.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA/SOLACE - Publication - Delivering good governance in local government.

Guidance note for English Authorities and Framework, 2007

CIPFA: Delivering Good Governance in Local Government: Framework Addendum 2012

Accounts and Audit Regulations 2011.

Application Note to Delivering Good Governance in Local Government:

A Framework CIPFA/SOLACE (March 2010)

International Framework: Good governance in the Public Sector: International Federation of Accountants and CIPFA, July 2014

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee.

Local Member N/A

Appendices

Appendix A - Annual Governance Statement 2014/15