

AUDIT COMMITTEE

Date of Meeting	Monday 12 June 2017
Report Subject	Annual Governance Statement 2016/17
Report Author	Chief Executive

EXECUTIVE SUMMARY

For each financial year the Council is required to produce an Annual Governance Statement (AGS) as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance and it also meets the requirements of the Accounts and Audit (Wales) Act 2014.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) revised their detailed guidance note on the preparation and contents of an AGS – ‘Delivering Good Governance in Local Government: Guidance notes for Welsh authorities’ (December 2016). The AGS is based on the seven core principles of governance from that guidance note.

It is good practice for the AGS to be presented separately from the final accounts so that it can be given due consideration.

RECOMMENDATIONS

1	For the committee to consider, amend as appropriate and recommend to the Council the Annual Governance Statement 2016/17 to be attached to the Statement of Accounts.
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REPORT DETAILS

1.00	EXPLAINING THE ANNUAL GOVERNANCE STATEMENT
1.01	<p>Under the Accounts and Audit (Wales) Regulations 2015 each local authority must ensure it has a sound system of internal control. In addition, each year they must conduct a review of the effectiveness of the system and prepare an Annual Governance Statement (AGS). The review must be considered and the AGS approved by a committee or members of the authority meeting as a whole.</p>
1.02	<p>The AGS accompanies the financial statements but is not part of them. As such it is not part of the statement on which the external auditors' opinion is given. However, the auditors review the governance statement to confirm it is consistent with the audited financial statements and other information of which they are aware.</p>
1.03	<p>The preparation of the AGS has been coordinated by the Corporate Governance Working Group (CGWG) which has reported to the Chief Executive, the Monitoring Officer and the Section 151 Officer on its work.</p>
1.04	<p>The working group changed the format of the report this year to simplify it alongside aligning it to the revised seven core CIPFA/SOLACE principles.</p> <p>These are as follows:</p> <p>Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Principle B - Ensuring openness and comprehensive stakeholder engagement Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it Principle F - Managing risks and performance through robust internal control and strong public financial management Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>The main changes for this year are in relation to principles C, D and G which have been expanded upon and made more explicit taking into account national legislation.</p> <p>It is this set of principles which have formed the framework of the assessment questionnaires and the resultant final draft governance statement.</p>

1.05	The corporate governance self assessments have been completed by each Chief Officer. The responses received were analysed by the CGWG and then challenged by the Chief Officer Team to endorse areas of strength and those for collective improvement.
1.06	In addition, questionnaires were sent to Overview and Scrutiny Committee Chairs. They all completed the questionnaire and their views have been taken into account in preparing the draft AGS.
1.07	The Annual Governance Statement concludes with a summary of the risks identified during the assessment process for 2016/17 and also the outstanding 'red' (major) risks contained within the Improvement Plan 2016/17 end of year report. Mitigating actions against governance issues identified in the Annual Governance Statement last year (2015/16) have also been included.

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct resource implications related to this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Annual Governance Statement has been produced using information from all Statutory and Chief Officers, Managers and Chairs of all Overview and Scrutiny Committees.

4.00	RISK MANAGEMENT
4.01	The Annual Governance Statement lists all the significant governance issues arising from the self assessment along with any outstanding 'red' (major) risks contained within the Improvement Plan 2016/17 end of year report. The Statement also describes actions taken against the governance issues reported in last year's Annual Governance Statement (2015/16).

5.00	APPENDICES
5.01	Appendix 1: Draft Annual Governance Statement 2016/17

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Code of Corporate Governance 2016</p> <p>Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer Telephone: 01352 702740 E-mail: Karen.armstrong@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Risk Management: the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency or likelihood of risk events occurring (wherever this is possible) and minimise the consequences if they occur. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p> <p>Financial Accounts / Statements: The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p>