

**REPORT FOR: GOVERNANCE, AUDIT,
RISK MANAGEMENT &
STANDARDS COMMITTEE**

Date of Meeting: 18 July 2017

Subject: **Draft Annual Governance
Statement 2016/17**

Responsible Officer: Tom Whiting – Corporate Director,
Commercial and Resources

Exempt: No

Enclosures: The CIPFA/SOLACE Framework
*Delivering Good Governance in Local
Government* (Appendix 1)
Code of Corporate Governance 2012
(Appendix 2).
Draft Governance Structure (Appendix 3)
Management Assurance (Appendix 4)
Partnership Working Self-assessment
(Appendix 5)
Draft Annual Governance Statement
2016/17(Appendix 6)

Section 1 – Summary and Recommendations

This report sets out the Council's Draft Annual Governance Statement (AGS) for 2016/17 required to meet the requirements of the Accounts and Audit Regulations 2015.

Recommendations:

The Committee is requested to:

1) Review the 2016/17 draft AGS (Appendix 6);

2) Make recommendations as appropriate to enhance the statement or improve the annual review process.

Reason: (For recommendations)

To confirm the Council's approach to Corporate Governance and demonstrate our commitment to uphold the highest standards of integrity, openness and accountability. To comply with the requirements of the CIPFA/SOLACE guidance which constitutes 'proper practice' under the Accounts and Audit Regulations 2015.

Section 2 – Report

Introduction

- 2.1 Harrow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require *'an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England)'*.
- 2.4 Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, require that *'for a local authority in England, the statement is an Annual Governance Statement'*.
- 2.5 *The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control*

and to include a statement reporting on the review with its Statement of Accounts.

- 2.6 *In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code’.*
- 2.7 The CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* was updated in 2016 (Appendix 1) and this Framework applies to annual governance statements prepared for the financial year 2016/17 onwards. The overall aim of the Framework *‘is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities’.*
- 2.8 The Annual Governance Statement explains how the Council has complied with the framework and meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control (Annual Governance Statement).

Code of Corporate Governance

- 2.9 A requirement of the original (2007) Framework was *‘developing and maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness’.* It also provided the requirements to be reflected in the local code e.g. the development and promotion of the authority’s purpose and vision.
- 2.10 A Code of Corporate Governance has been in place at Harrow since 2008 and was last updated in 2012 (Appendix 2). It forms part of the Constitution.
- 2.11 The new Framework (2016) contains the following, slightly amended requirement *‘developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness.’* However it goes on to say *‘The term ‘local code’ essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.*

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.’

2.12 During a CIPFA Better Governance Forum seminar on the new Framework it was confirmed that a 'local code' does not have to be a formal written document but can be the key documents that formally make up the governance structure. As it is these documents that form the evidence base for the annual review of governance it makes sense to develop and maintain a formal governance structure consisting of these documents rather than a 'local code'. This will help to streamline the annual review of governance process as key documents will already be included in the governance structure and also provide a more accessible format for staff and the public to these key documents. A new intranet and internet page is being developed to facilitate this. A draft format for the governance structure is attached (Appendix 3)

Annual Governance Statement

2.13 The Framework requires that *'Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:*

- *reviewing existing governance arrangements*
- *developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness*
- *reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.*

The main difference between this and the requirements in the original Framework is the emphasis on testing partnerships against the principles in the Framework.

2.14 Each year the Council undertakes a robust review of its governance arrangements to meet the requirements of the Framework and this year the annual review process (currently in progress), an evidenced based self-assessment undertaken by members of the Corporate Governance Working Group co-ordinated and reviewed by Internal Audit, has been fully reviewed and updated to reflect the requirements of the new Framework. To ensure compliance with the new Framework two new elements have also been introduced into the annual review process: - (i) a form of management assurance to be completed by the authority's three Corporate Directors for their Directorates and one to be completed for the Regeneration & Planning (as it sits outside of the Directorates) (Appendix 4) and (ii) a Partnership Working self-assessment to be completed on a sample basis for a number of the authority's key /long running partnerships (Appendix 5).

2.15 Once complete this work will feed into and inform the final Annual Governance Statement (AGS) 2016/17. In the meantime a draft AGS has been prepared to satisfy the requirement to publish and submit draft accounts (of which the AGS forms a part) to the authority's external auditors by the 31/05/17. The knowledge of the Corporate Governance Group (Monitoring Officer, S151 Officer, CD Resources, DD Strategic

Commissioning, DD HR and the HIA) has been used to compile the draft ensuring that all new requirements in the new Framework are covered/will be covered in the final version (Appendix 6).

2.16 The Annual Governance Statement is prepared on behalf of the Leader of the Council and the Chief Executive. It is submitted in draft to the Leader, the Chief Executive and the Governance, Audit, Risk Management & Standards (GARMS) Committee for consideration and review.

2.17 The Statement will be finalised, having considered any comments received on the draft, the outcome of the annual review process and updated to reflect any changes in the governance framework between the end of the financial year and the point at which it is signed-off.

Financial Implications

2.8 No financial implications.

Risk Management Implications

2.9 The work of internal audit supports the management of risks across the council.

Equalities Implications

2.10 None

Corporate Priorities

2.11 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert...



Chief Financial Officer

Date: 05/07/17

Section 4 - Contact Details and Background Papers

Contact: Susan Dixon, Head of Internal Audit & Corporate Anti-Fraud,
Tel:0208 424 1420

Background Papers: None.