

North Somerset Council

REPORT TO THE

AUDIT COMMITTEE

DATE OF MEETING:

30TH JANUARY 2020

SUBJECT OF REPORT:

ANNUAL GOVERNANCE STATEMENT 2019/20

OFFICER PRESENTING:

JEFF WRING - AUDIT WEST

RECOMMENDATION

The Audit Committee notes the report and process for the Annual Governance Statement.

1. SUMMARY OF REPORT

This report provides a brief overview of the process for completion of the Annual Governance Statement for 2019/20. Whilst the statement is prepared and authorised by management and the Leader of Council, the Audit Committee has specific terms of reference given to it which requires it to consider the Annual Governance Statement and the framework which supports it which includes primarily the local code of corporate governance

2. POLICY

- 2.1 The council has adopted a Local Code of Corporate Governance, which was consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 2.2 The Annual Governance Statement explains how North Somerset Council has complied with the Local Code of Corporate Governance and also meets the requirements of:
 - The Accounts and Audit (England) Regulations 2015, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (4) in respect of the preparation and publication of an Annual Governance Statement.

3. DETAILS

3.1 Background –

The Annual Governance Statement is based on a 'Local Code of Corporate Governance' which forms part of the Council's Constitution. As the Annual Governance Statement is statutory we are required to take account of any guidance which is provided by CIPFA/SOLACE.

This guidance is also used by the External Auditor in their audit of the accounts and we are therefore required to take account of these in preparation of the statement.

Delivering Good Governance in Local Government; Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.

The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities
- There is sound and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

Our code is based on the following key principles of good governance –

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimize the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

The Code provides further detail for each of the key principles to describe expectations and is used as part of the Annual Governance Review each year. Attached to this report is the Code – Appendix 1 and last years Annual Governance Statement – Appendix 2.

3.2 Process for 2019/20 Statement

An overview of the process for the compilation and approval of the Annual Governance Statement for 2019/20 is attached at the end of this report at Annex A. This is similar to the process adopted in previous years.

The process diagram indicates the major steps in the process for compiling the statement and the outcome will be a final Annual Governance Statement ratified by the Audit Committee as part of the Annual Accounts approval process.

CIPFA/SOLACE guidance as detailed above and its key principles will be taken account of as normal within this years review and as reported last year there was one significant issue identified in the 2018/19 statement related to the impacts of senior management capacity and consequent implications around managing severe financial pressures and major contracts.

The definition of a significant issue can be summarised as one of the following –

- Significant failures in decision making at Council or Executive
- Significant unexpected use of Resources
- Significant performance failings or failures in service delivery

- Significant issues from inspections, audits, complaints etc
- Significant issues failures in respect of statutory duties
- Significant issues from operational issues and third parties

At our next meeting in April we will update the position in relation to this issue and provide an opportunity for the committee to input any views they have on governance or significant issues. It remains likely that significant financial challenges will remain as key issue moving forward for potential inclusion.

Whilst the statement forms part of the Annual Accounts it is a separate document and is a management statement which is signed/authorised by the Chief Executive and Leader of Council before being presented to the Audit Committee.

4. CONSULTATION

This report describes the Annual Governance Review process which members are invited to comment upon.

5. FINANCIAL IMPLICATIONS

The Annual Governance Statement describes how the council complies with its Local Code of Governance which incorporates all the council's business and hence budget.

6. LEGAL POWERS AND IMPLICATIONS

Accounts & Audit Regulations set out the expectations of provision of an Annual Governance Statement. This is supported by CIPFA/SOLACE standards and the Council's Local Code of Corporate Governance.. Implications of not providing this statement would include potential qualification of the Accounts, increase in External Audit fees, potential significant reputational risks and ultimately additional costs to rectify.

7. CLIMATE CHANGE & ENVIRONMENTAL IMPLICATIONS

No direct implications however the review process will consider key risks (& assurances) which may include Climate Change and any significant issues where appropriate.

8. RISK MANAGEMENT

Failure to compile an Annual Governance Statement would result in non-compliance with statutory legislation and leave the Council open to criticism by External Audit and external stakeholders.

9. EQUALITY IMPLICATIONS

None.

10. CORPORATE IMPLICATIONS

The production of an Annual Governance Statement is an explicit statutory requirement of the Accounts and Audit (England) Regulations.

The completed Annual Governance Statement is reviewed by the Council's External Auditor.

11. OPTIONS CONSIDERED

None, this is a statutory process.

AUTHOR

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BACKGROUND PAPERS

Council's Local Code of Corporate Governance

Annex A. Outline Methodology for Preparing the Annual Governance Statement 2019/20

