

Wiltshire Council

Audit Committee

26 July 2017

Annual Governance Statement 2016/17

Purpose of Report

1. To ask the Audit Committee to approve a draft Annual Governance Statement for 2016/17.

Background

2. The Council is required, as part of its ongoing review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2016/17. This will be signed by the Leader of the Council and the Corporate Directors after final approval by the Audit Committee on 26 July 2017. The AGS will form part of the Annual Statement of Accounts for 2016/17.
3. The format of the 2016/17 AGS has changed from previous years after advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), with a view to making it more readable and focused.
4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the principles of good governance adopted in its Code of Corporate Governance. These principles aim to ensure the Council is:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.
 - Ensuring openness, transparency and comprehensive stakeholder engagement – delivering accountability.
 - Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - Determining the interventions necessary to optimise the achievement of intended outcomes.
 - Developing capacity, including the capacity of the Council's leadership and the individuals within it.
 - Managing risks and performance through robust internal controls and strong public financial management.

5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2016/17, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts in July 2017. The AGS should outline the actions taken or proposed to address any significant governance issues identified.
6. The AGS is drafted by senior officers who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead officers within the organisation, internal and external auditors and inspection agencies.

Main Consideration for the Council - Draft AGS - Content

7. Cabinet considered and noted a copy of the draft AGS at its meeting on 20 June 2017. The draft has since been revised to take account of the comments of the Council's external auditors, KPMG. A copy of the latest draft AGS is included within the Annual Statement of Accounts 2016-17 – **see item 9 of the Agenda at pages 121-130.**
8. The Council's internal auditors, SWAP, have given an overall audit opinion of reasonable assurance on the effectiveness of the Council's control environment for 2016/17.
9. The final section of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:
 - the issue has seriously prejudiced or prevented achievement of a principal objective;
 - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
 - the issue has led to a material impact on the accounts;
 - the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
 - the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
 - the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
 - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

10. The draft AGS includes the following governance issues as areas for improvement:
- Changes to the appraisal system that identify specific targets for completion for individuals, linked to the council's Business Plan through service and team plans. Such a system will be able to provide a link to the work being done to achieve stated aims and a corporate level understanding of progress against the desired outcomes.
 - Revisions will be made to the Council's Behaviours Framework that will build on the lessons learnt in the last four years.
 - Further training for elected members to improve understanding of the need for efficient and effective decision making, promoting openness and transparency.
 - There will be a review of the inter-relationship between key polices to improve clarity and consistency of processes including: Anti-Fraud and Corruption, Whistleblowing, and some staff policies, such as registering interests, gifts and hospitality.
 - How the Council collects general feedback from individuals and communities to assess improvements in approach.
 - Reporting of finance and performance management, will be combined with a key focus on links between the use of resources and the outcomes being achieved.
11. The governance of the Council will continue to be monitored by Cabinet, Audit and other councillor committees and the Council's Corporate Leadership Team. This will include the areas to address identified above.
12. The Council's external auditors, KPMG LLP, have been consulted on the draft AGS and their comments are reflected in the attached final draft. KPMG have confirmed in their external Audit Report (at **page 31**):
- The AGS complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*; and
 - It is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

Safeguarding Implications

13. Safeguarding issues have been highlighted in paragraph 4.7 of the draft AGS at **page 127** of the Agenda.

Public Health Implications

14. There are no public health implications arising directly from this report.

Environmental and Climate Change Considerations

15. There are no environmental or climate change considerations arising directly from this report.

Equalities Impact of the Proposal

16. There is no equalities impact arising from this report.

Risk Assessment

17. Ongoing review of the effectiveness of the Council's governance arrangements is an important part of the Council's risk management strategy.

Financial Implications

18. There are no financial implications arising directly from the issues covered in this report

Legal Implications

19. The production of the AGS is a statutory requirement.

Proposal

20. **The Audit Committee Cabinet is, therefore, asked to approve the draft AGS for publication with the Annual Statement of Accounts 2016-17.**

Reason for Proposal

21. To prepare the AGS 2016/17 for publication in accordance with the requirements of the Audit and Accounts Regulations.

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Background Papers

The following unpublished documents have been relied on in the preparation of this report:

None

Draft Annual Governance Statement 2016/17 – Included at pages 121-130 of the Annual Statement of Accounts 2016-17.