

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 5 June 2019
<b>Report Subject</b>	Annual Governance Statement 2018/19
<b>Report Author</b>	Chief Executive

### **EXECUTIVE SUMMARY**

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 fulfils the requirements of the Accounts and Audit (Wales) Regulations 2018.

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 to be given due consideration.

### **RECOMMENDATIONS**

1	That the Committee review the Annual Governance Statement 2018/19 to be attached to the Statement of Accounts and recommended to Council for adoption.
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## REPORT DETAILS

1.00	EXPLAINING THE ANNUAL GOVERNANCE STATEMENT														
1.01	Under the Accounts and Audit (Wales) Regulations 2018 each local authority must ensure it has a sound system of internal control. 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.														
1.02	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.														
1.03	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.														
1.04	<p>The working group continued this year with the new format of the report - keeping it aligned to the revised seven core CIPFA/SOLACE principles.</p> <p>These are as follows:</p> <table border="0" data-bbox="304 1077 1385 1720"> <tr> <td data-bbox="304 1077 539 1182">Principle A</td> <td data-bbox="539 1077 1385 1182">Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</td> </tr> <tr> <td data-bbox="304 1182 539 1272">Principle B</td> <td data-bbox="539 1182 1385 1272">Ensuring openness and comprehensive stakeholder engagement</td> </tr> <tr> <td data-bbox="304 1272 539 1361">Principle C</td> <td data-bbox="539 1272 1385 1361">Defining outcomes in terms of sustainable economic, social, and environmental benefits</td> </tr> <tr> <td data-bbox="304 1361 539 1451">Principle D</td> <td data-bbox="539 1361 1385 1451">Determining the interventions necessary to optimise the achievement of the intended outcomes</td> </tr> <tr> <td data-bbox="304 1451 539 1541">Principle E</td> <td data-bbox="539 1451 1385 1541">Developing the entity's capacity, including the capability of its leadership and the individuals within it</td> </tr> <tr> <td data-bbox="304 1541 539 1630">Principle F</td> <td data-bbox="539 1541 1385 1630">Managing risks and performance through robust internal control and strong public financial management</td> </tr> <tr> <td data-bbox="304 1630 539 1720">Principle G</td> <td data-bbox="539 1630 1385 1720">Implementing good practices in transparency, reporting, and audit to deliver effective accountability</td> </tr> </table> <p>It is this set of principles on which the assessment questionnaires and the resultant final draft governance statement is based.</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
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1.05	<p>The corporate governance self-assessments have been reviewed and challenged amongst Chief Officers.</p> <p>Areas of strength are highlighted throughout the principles in green text. Areas for improvement are summarised separately and are derived from one of four sources:</p>														

	<p>i) Self-assessment questionnaire reviewed by Chief Officers  ii) Overview and Scrutiny Committee Chairs' questionnaires  iii) Outstanding 'red' (major) risks contained within the Council Plan 2017/18 end of year report  iv) Red / limited assurance internal audit reports issued during the year.</p> <p>The areas for improvement identified as part of the self-assessment all fall in the categories where there is either a need to improve further or there has been an increase in the significance of the respective risk issue.</p> <p>Examples of the "need to improve further" include:</p> <ul style="list-style-type: none"> <li>• Engaging with stakeholders / impact assessments</li> <li>• Workforce planning</li> <li>• Longer term planning</li> </ul> <p>These are marked on the AGS as * issues.</p> <p>Examples where the risk issue has increased in significance include:</p> <ul style="list-style-type: none"> <li>• Behaving with integrity</li> <li>• Demonstrating social and ethical values</li> <li>• Sustainability of outcomes within available resources</li> <li>• Resource prioritisation</li> </ul> <p>These are marked on the AGS as # issues.</p>
1.06	Progress against mitigating actions against governance issues identified in the Annual Governance Statement last year (2017/18) has also been included, with an indication as to if the issues remain 'open' or 'closed'.
1.07	Audit Committee will receive a mid-year report on progress against the areas for improvement.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications related to this report.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>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 Council Plan 2018/19 end of year report.</p> <p>The Statement also describes actions taken against the governance issues reported in last year's Annual Governance Statement (2017/18).</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Draft Annual Governance Statement 2018/19

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><u>Code of Corporate Governance 2018/19</u></p> <p><b>Contact Officer:</b> Karen Armstrong, Corporate Business and Communications Executive Officer</p> <p><b>Telephone:</b> 01352 702740</p> <p><b>E-mail:</b> <a href="mailto:Karen.armstrong@flintshire.gov.uk">Karen.armstrong@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Corporate Governance:</b> 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><b>Risk Management:</b> 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><b>Financial Accounts / Statements:</b> 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>