

12. 2014/15 ANNUAL GOVERNANCE STATEMENT (A.137/13/RMM)

Purpose of the report

1. Members are asked to review and approve the audited Annual Governance Statement for 2014/15.

Key Issues:

Key issues include:

- Each year the Authority reviews its performance against the Code of Corporate Governance and in doing this reviews the effectiveness of its governance arrangements including the system of internal control; the results of this feed into the Authority's Annual Governance Statement at Appendix 1
- This review takes into account 'assurances' received during the year
- The Annual Governance Statement highlights areas for further action in accordance with our approach to achieve continuous performance improvement
- The poor forecast for public sector finances remains highlighted as a significant issue to be addressed through our budget planning work
- The External Auditor has given a satisfactory conclusion with no issues highlighted following the auditors' assessment of the Annual Governance Statement

Recommendations

2. **1. That the audited Annual Governance Statement for 2014/15 be approved**

How does this contribute to our policies and legal obligations?

3. Regulation 4 of the Accounts and Audit Regulations (2011) requires relevant bodies to conduct a review at least once a year of the effectiveness of its system of internal control and members must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control, at the same time as the statement of accounts is approved under Regulation 8(3), i.e. by 30 September.
4. The Department for Communities and Local Government issued further advice through circular 03/2006 (section 7) and clarified that 'proper practice' in relation to internal control relates to guidance produced by CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives). This guidance is found in the CIPFA/SOLACE publication titled 'Delivering Good Governance in Local Government Framework'.
5. In recent years this guidance has been supplemented and updated by: the CIPFA statement on the Role of the Chief Financial Officer (2010); the CIPFA statement on the Role of the Head of Internal Audit (2010); and the CIPFA delivering good governance addendum (2012). For 2014/15 we have been required to include a statement on our assessment of performance against CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.

6. A review of our performance against the Authority's Code of Corporate Governance feeds into this Annual Governance Statement and is part of our work to ensure the Authority has a solid foundation supporting achievement of our four cornerstones and four directional shifts as detailed in our 2015/16 performance and business plan. Obtaining a satisfactory External Audit conclusion on value for money through an assessment of the Annual Governance Statement is a corporate indicator.

Background

7. The review of effectiveness of our governance framework, including the system of internal control, is informed by assurances from staff and Members within the Authority who have responsibility for the development and maintenance of the governance environment (including financial controls, risk management and performance management processes, compliance with advice on legislation and regulations), internal and external audit reports and opinions, comments made by other agencies and inspectorates as well as feedback from customers and stakeholders.
8. The 2014/15 annual assurance report from the internal auditor states: the overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Authority is that it provides Substantial Assurance. There are no significant control weaknesses which in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement.
9. The review of effectiveness is continual throughout the year as evidenced by some of the action taken during the year but a more formal assessment takes place each year in the preparation for this statement. In accordance with the Authority's Code of Corporate Governance a meeting was held on 20 April 2015 to:
 - a) Review our performance against our action statements of commitment in our Code of Corporate Governance and highlight what we have done in the 2014/15 year which contributes to achieving our outcome of 'good governance'
 - b) Identify any further action needed for the forthcoming year in accordance with our approach to ensure continuous performance improvement

The meeting involved the Chief Executive, Director of Planning, Chair of Audit Resources and Performance Committee, Monitoring Officer, Chief Finance Officer and Director of Corporate Resources.

10. It was agreed that the outputs of our review in terms of improvement action for the forthcoming year would be reflected in the 2014-15 Annual Governance Statement. These are recorded in Appendix 1 against the 6 core principles of our Code of Corporate Governance. A full record of the review of action and assurances received indicating maintenance and/or improvement to the effectiveness of elements of the governance framework can be obtained from the Director of Corporate Resources or can be found at: <http://www.peakdistrict.gov.uk/publications/operationalpolicies>
The full review has not been included in the Annual Governance Statement in order to provide a briefer document.

Proposals

11. The proposed Annual Governance Statement for 2014/15 is given in Appendix 1 for Members' consideration and approval. This statement has been audited by our external auditors from KPMG to inform their conclusions as provided in their Annual Governance report to this same committee. The External Auditor has given a satisfactory conclusion

with no issues highlighted following the auditors' assessment of the Annual Governance Statement.

12. As part of reviewing performance and assurances received issues have been identified which affect effectiveness and these are given at the end of the Appendix to address during the year. The poor forecast for public sector finances remains highlighted as a significant issue to be addressed through our budget planning work. Work on this has been progressed as reported to the 18 September Authority meeting.

Are there any corporate implications members should be concerned about?

13. **Financial:**

There are no additional financial issues to highlight.

14. **Risk Management:**

The system of internal control is a significant part of our governance framework and is designed to manage risk to a reasonable level and not provide absolute assurance of effectiveness so Members need to be aware that problems can still arise. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies and outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage these risks efficiently, effectively and economically.

15. **Sustainability:**

There are no issues to highlight.

16. **Background papers** (not previously published)

An electronic file of documents has been prepared relevant to the Statement consisting of Authority and Committee reports and other supporting records to evidence the review of effectiveness made in the Statement.

Appendices –

Appendix 1: 2014/15 Annual Governance Statement

Report Author, Job Title

Ruth Marchington, Director of Corporate Resources, 10 September 2015