Audit, Governance and Standards Committee
28 June 2016

PROCESS FOR THE ANNUAL GOVERNANCE STATEMENT 2016/17 and COMPLETION OF 2015/16 ACTION PLAN

Report by Head of Corporate Governance

Purpose
To consider the latest position on the assessment of the Council’s activities to confirm that the Council has effective corporate governance arrangements in place.

Recommendations
To RESOLVE to

1. note that, in response to the requirement for a local authority to have in place proper arrangements for the governance of its affairs and to undertake an annual open and honest assessment of its governance framework, the Council is undertaking an assessment of its corporate governance arrangements the outcome of which will be reported to the Committee's September meeting;

2. recommend to Council that paragraph 8 (b) of the Committee’s Terms of Reference be amended to provide that it is no longer a requirement for the Annual Governance Statement to be submitted to the Treasury Committee for final sign off.

3. note the latest position on the implementation of the 2015/16 AGS Action Plan as set out in paragraphs 13 and 14 of this report.

Key Points

A. Local authorities are required to prepare and publish an annual Corporate Governance Statement, in accordance with Solace/CIPFA guidance published in July 2007 and updated in 2012. This is necessary to meet the statutory requirement set out in regulation 6(1) of the Accounts and Audit Regulations 2015.

B. The Annual Governance Statement (AGS) is an honest self assessment of the organisation’s performance across all of its activities with a statement of actions being taken, or to be undertaken, to address areas of concern or for improvement. There is no statutory timetable for this approval, but it is good practice for this statement to be published with the financial statements.

C. An assessment of the Council’s activities has been conducted throughout April, May and June to verify that the Council has effective corporate governance arrangements in place and to identify any areas of relative weakness where improvements can be made. The outcome of this process, and other activities that contribute to the self assessment, will be submitted to the Committee’s September meeting along with a draft Annual Governance Statement for formal approval.

D. Hitherto, this Committee has forwarded the approved AGS to the Treasury Committee for formal sign off. However, there is no legal requirement to do that and
given the need for the signed AGS to be included with the approved Statement of Accounts (which is also approved by the Audit, Governance and Standards Committee) it is proposed that requirement be dispensed with.

E. An updated version of the 2015/16 AGS Action Plan which was approved by the Committee in September 2015 is also presented. This indicates that there are still certain actions to be completed which will be carried forward on to the 2016/17 Action Plan a draft of which will be submitted to the Committee’s September meeting.

Context
1. The Royal Borough of Kingston upon Thames (RBK) is responsible for ensuring its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. RBK has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging its responsibility, RBK is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk. RBK has approved and adopted a Code of Corporate Governance. The AGS confirms the Council has arrangements in place which support the Council's compliance with the framework and the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

3. The Audit and Governance Committee’s role is to ensure, from its work and enquiries, that it addresses any key governance weaknesses and areas for improvement and to recommend the Statement to the Treasury Committee for approval and publication. There is no statutory timetable for this approval, but it is good practice for it to be published with the financial statements. Whilst the audited financial statements must still be approved by Members and published by 30 September under the new Regulations unaudited statements are no longer required to be approved by Members and published by 30 June. The Annual Governance Statement covering the year 2015/16 will be submitted for approval to the Committee in September alongside its consideration of the unaudited financial statements.

Preparation of the Annual Governance Statement

4. In preparing the Annual Governance Statement, RBK is required to undertake an open and honest self-assessment of the organisation’s performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern. The governance statement covers all significant corporate systems, processes and controls spanning the whole range of the authority’s activities, including in particular those designed to ensure that:

- the authority’s policies are implemented in practice
- high-quality services are delivered efficiently and effectively
- the authority’s values and ethical standards are met
- laws and regulations are complied with
required processes are adhered to
financial statements and other published performance information are accurate and reliable
human, financial, environmental and other resources are managed efficiently and effectively.

Production and Approval Process for the Annual Governance Statement

5. The first stage of the AGS assessment process involves the completion of Control Effectiveness Statements by Service Managers. The Statements cover 11 key areas of corporate governance.

- Risk Management
- Performance Management
- Financial Management
- Legal
- Human Resources
- Agency Staff/Use of Consultants
- Information Governance and Data Protection
- Commissioning and Procurement
- Programme and Project Management
- Partnerships
- Other Significant Control Issues (including whistle blowing, records management and fraud)

6. Within each of the above areas there are a number of specific requirements, totalling 45 in all. Service Managers are asked to self assess their services against each requirement and indicate if they meet, partially meet, or do not meet it. Once completed meetings are arranged by Internal Audit and Risk & Assurance with Service Managers. They are “challenged” on their submissions to provide assurance that they were reflective of the existing situation. They are required to provide information on the arrangements they have in place where a requirement was indicated as met, and to note the actions they plan to take, and when, if a requirement is only partially met or not met.

7. Each of the Control Effectiveness statements completed by Service Managers is then analysed by the Risk and Assurance Team and Internal Audit to determine common themes across the Council and any areas of relative weakness where improvements to the Council’s governance arrangements could be made.

8. The information from each of the Control Effectiveness Statements, and from discussions with managers, is then analysed further to arrive at a council-wide view of the effectiveness of our governance arrangements and to determine areas for improvement that can be incorporated into an Action Plan to be addressed throughout the year.

Achieving for Children

9. The organisation delivering children’s services in Kingston and Richmond (Achieving for Children (AfC)), was formally launched on the first of April 2014. AfC have robust arrangements in place to ensure that Risk Management and Internal
Control systems are effective and appropriate. These are overseen by AfC’s Senior Leadership Team and the Audit and Risk Committee who then advise the AfC Board on the overall adequacy and effectiveness of their governance, risk management, internal control, Treasury management and value for money systems and frameworks.

10. This process is well under way within AfC and its outcome will be reported to this Committee’s September meeting.

Other Assurance Work

11. As usual, other pieces of assurance work will feed into the overall assessment of our governance arrangements this year. These include:

An Internal Audit Review of Corporate Governance which is currently coming to a conclusion

Other Internal Audit outcomes, as set out in the Annual Report to this Committee

The Audit Opinion of the Head of Internal Audit

A self assessment on the role of the Chief Financial Officer

A self assessment on compliance with CIPFA Public Sector Internal Audit Standards (as reported separately on the Committee’s agenda).

Sign Off Arrangements for the 2016/17 AGS

12. Once this Committee has approved the Annual Governance Statement at its meeting in late September, it has previously recommended it to the Treasury or predecessor) Committee for final approval. In the current Municipal Year the Treasury Committee does not meet until after 30 September which is the deadline for approval of the AGS. In discussion with the External Auditors it has been confirmed that there is no legal or Regulatory requirement for the AGS to be signed off by another Committee. Given that, in any event, the Treasury Committee won’t be familiar with the activities that relate to the AGS process, all of which are within this Committee’s remit, it is suggested that the need for final sign off by the Treasury Committee be removed from this Committee’s Terms of Reference so that final approval of the AGS is given by this Committee.

AGS Action Plan 2015/16

13. As usual, an Action Plan to address areas of relative weakness was established following the submission of last year’s Annual Governance Statement. This has been monitored throughout the year by SLT and the Committee and good progress has been made in most areas.

14. The 2015/16 Action Plan is set out at Annex 1. All completed actions are in bold. Uncompleted actions will be carried over to the following year and form part of the AGS Action Plan for 2016/17 which will be submitted to the Committee’s September meeting for approval.
Financial Implications

15. Whilst there are no specific financial implications arising from this report a number of the areas for improvement listed in the Action Plan relate to financial systems and processes.

Risk Management


Timescale

17. The finalised Annual Governance Statement will be presented to the Committee’s September meeting for approval. However, in future years, there will be a requirement for the Council's Accounts to be signed off by the end of June each year and, thus, the AGS will need to be prepared to a similar timescale.

Environmental Implications

18. There are no specific environmental implications arising from this report.

Equality Impact Assessment Implications

19. An Equality Impact Assessment is not required.

Background papers – held by author

List of reports/documents
1. Accounts and Audit Regulations 2015
2. Solace/CIPFA Delivering Good Governance in Local Government 2007 Guidance Note for Local Authorities
4. Audit Commission VFM Conclusion guidance 2010
5. Correspondence with AfC re assurance processes.