

Report To:	AUDIT PANEL
Date:	29 May 2018
Reporting Officer:	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
Subject:	ANNUAL GOVERNANCE REPORT 2017/18
Report Summary:	<p>To present the Governance Report comprised of the two elements below for comment, challenge and approval:</p> <ol style="list-style-type: none"> 1. The Draft Annual Review against the Code of Corporate Governance for 2017/18 (Appendix 1). 2. The Draft Annual Governance Statement for 2017/18 (Appendix 2).
Recommendations:	<p>That members approve the:</p> <ol style="list-style-type: none"> 1. Draft Annual Review against the Code of Corporate Governance for 2017/18. 2. Draft Annual Governance Statement for 2017/18.
Links to Community Strategy:	Demonstrates proper Corporate Governance.
Policy Implications:	Demonstrates proper compliance with the Accounts and Audit Regulations 2015.
Financial Implications: (Authorised by the Section 151 Officer)	Sound corporate governance and proper systems of internal control are essential for the long-term financial health and reputation of the Council.
Legal Implications: (Authorised by the Borough Solicitor)	The production of the Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015.
Risk Management:	The statement provides assurance that the Council has a sound system of corporate governance in place. It is considered to be an important public expression of how the Council directs and controls its functions and relates to its community.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:



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1 INTRODUCTION

- 1.1 Corporate Governance is the system by which the Council directs and controls its functions and relates to its community. This is the means by which sound and ethical practice can be assured and unacceptable practice identified and eradicated. Historically there has been a general recognition that all local authorities should be seen to meet the highest standards and governance arrangements possible.
- 1.2 The issues faced by local authorities in recent years reflecting social, economic, and legislative change have led to new, diverse ways of working as opposed to traditional roles. The common theme that continues to run through Government initiatives is the need for local authorities to review the various systems and processes they have in place for managing both their internal affairs and their relationships with their expanding number of key stakeholders. Together these systems comprise corporate governance.

2 CORPORATE GOVERNANCE REQUIREMENTS

- 2.1 The Framework Delivering Good Governance in Local Government, published by the Chartered Institute of Public Finance and Accountancy in association with Society of Local Authority Chief Executives in 2016, sets the standard for local authority governance in the UK. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements.
- 2.2 The main principle underpinning the 2016 version of Delivering Good Governance in Local Government: Framework (2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.3 The core principles of the Framework are: -
 - Behaving with integrity, demonstrating strong commitment to ethical standards 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 intervention necessary to optimise 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; and
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 2.4 The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are

crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

2.5 The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:

- reviewing existing governance arrangements;
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness; and
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

3 ANNUAL REVIEW AGAINST THE CODE OF CORPORATE GOVERNANCE

3.1 A review has been completed assessing the Council's position against the approved Code of Corporate Governance in order to demonstrate compliance, ongoing developments/improvement and to prepare for the compilation of this year's Annual Governance Statement which is required, by the Accounts and Audit Regulations 2015.

3.2 The document was presented to the Single Leadership Team on 8 May 2018 for review and the draft Annual Review against the Code of Corporate Governance for 2017/18 incorporating all comments received is detailed at **Appendix 1**.

4 ANNUAL GOVERNANCE STATEMENT

4.1 The preparation and publication of an Annual Governance Statement is necessary to meet the requirements set out in Regulation 6 of the Accounts and Audit Regulations 2015. It requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control" and "following the review, the body must approve an annual governance statement prepared in accordance with proper practices in relation to internal control".

4.2 The Draft Annual Governance Statement for 2017/18 which has been drawn up using the guidance contained within Delivering Good Governance in Local Government - Framework issued in 2016 is attached at **Appendix 2** for consultation and challenge.

4.3 The Annual Governance Statement is a corporate statement and covers both Tameside and the Greater Manchester Pension Fund.

4.4 The Annual Governance Statement is based on:-

- AGS Self-Assessment Checklists and signed Assurance Statements;
- Head of Risk Management and Audit's Annual Report;
- Medium Term Financial Plan/Budget Report;
- Review of System of Internal Audit;
- Annual Audit Letter;
- Role of the Chief Financial Officer;
- Role of the Head of Internal Audit;
- Corporate Plan; and

- Statutory Inspections.

- 4.5 This list is not exhaustive but it details the key elements of the assurance framework used to support the production of the Annual Governance Statement.
- 4.6 The format of the annual governance statement will be reviewed before the 2018/19 statement needs to be prepared to enable a comparison between the format used by the Council and the Tameside and Glossop Clinical Commissioning Group with the aim of introducing a format suitable for use across the Strategic Commission.
- 4.7 The Draft Annual Governance Statement 2017/18 has been presented to the Single Leadership Team and their comments have been incorporated into the document, together with those received from Policy, Performance and Communications.

5 CODE OF CORPORATE GOVERNANCE

- 5.1 The Code of Corporate Governance which complies with the Delivering Good Governance Framework of 2016 was approved in May 2016 for a three year period and no further updates are required.

6 EXECUTIVE CABINET

- 6.1 As in previous years this report will be circulated to the Executive Cabinet after the meeting by email for comments and any feedback will be incorporated into the documents.

7 EXTERNAL AUDIT

- 7.1 The Draft Annual Governance Statement will be signed off by the Director of Finance by 31 May for submissions to Grant Thornton (External Auditors) as it needs to accompany the Draft Statement of Accounts.
- 7.2 The final version incorporating any updates and comments from Grant Thornton will be presented to the Overview (Audit) Panel on 30 July for approval. It will then be signed by the Executive Leader and the Chief Executive and presented formally to Grant Thornton. Until this date the Annual Governance Statement is a live document and needs to be updated for any issues that come to light affecting the governance arrangements in place.

8 RECOMMENDATIONS

- 8.1 That members approve the:-
 - Draft Annual Review against the Code of Corporate Governance for 2017/18.
 - Draft Annual Governance Statement for 2017/18.