

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
Subject:	ANNUAL GOVERNANCE REPORT 2015/16
Report Summary:	To present the Governance Report comprised of the three elements below for comment, challenge and approval: <ol style="list-style-type: none"> 1. The Draft Annual Review against the Code of Corporate Governance for 2015/16 (Appendix 1). 2. The Draft Annual Governance Statement for 2015/16 (Appendix 2). 3. The Draft Code of Corporate Governance for 2016/19 (Appendix 3).
Recommendations:	<ol style="list-style-type: none"> 1. That Panel Members consider and approve the: <ul style="list-style-type: none"> • Draft Annual Review against the Code of Corporate Governance for 2015/16. • Draft Annual Governance Statement for 2015/16. • Draft Code of Corporate Governance for 2016/19. 2. Delegate authority to the Assistant Executive Director (Finance) in consultation with the Chair to make further amendments to the Draft Annual Governance Statement upon receipt of further comments from the Executive Cabinet ahead of it being provided to External Audit in June.
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 Borough Treasurer)	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 that should not only be sound but need to be seen to be sound by the public.
- 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 2007 and updated in 2012, 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 An updated version of *Delivering Good Governance in Local Government* – (comprising of the Framework and a Guidance Note) was published at the end of April 2016 and becomes effective for 2016/17.
- 2.3 The main principle underpinning the development of the new *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.
- 2.4 The Annual Governance Statement for 2015/16 and the Review against the Code of Corporate Governance for 2015/16 are governed by the 2012 Framework, whilst going forward the Code of Corporate Governance will need to be approved based on the 2016 Principles.
- 2.5 The core principles of the 2016 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.

2.6 The revised 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.

2.7 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 and Statement of Assurance, which are required, by the Accounts and Audit Regulations 2015.

3.2 The document was circulated to the Senior Management Team for review during April/May and the draft annual review for 2015/16 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 2015/16 which has been drawn up using the guidance contained within *Delivering Good Governance in Local Government* - Framework (2007) and the Addendum and Guidance Note issued in 2012 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 and therefore the Director of Pensions has signed and

returned the Assurance Letter for 2015/16 and a completed the AGS Self-Assessment Checklist.

4.4 The Annual Governance Statement is based on:-

- AGS Self-Assessment Checklists and signed Assurance Statements
- Head of Audit's Annual Report
- ET Budget Assurance Statements
- Review of Internal Audit
- Annual Audit Letter
- Role of the Chief Financial Officer
- Role of the Head of Internal Audit
- Corporate Plan
- 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 Draft Annual Governance Statement 2015/16 has been presented to the Senior Management Team and their comments have been incorporated into the document, together with those received from Policy and Communications.

5. CODE OF CORPORATE GOVERNANCE

5.1 The Code of Corporate Governance has been updated taking into account the requirements outlined in the Chartered Institute of Public Finance and Accountancy in association with Society of Local Authority Chief Executives Delivering Good Governance Framework of 2016 published in April and is attached at **Appendix 3**.

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 incorporating all updates will be signed off by the Assistant Executive Director (Finance) by 10 June for submissions to Grant Thornton (External Auditors) as it needs to accompany the Draft Statement of Accounts.

7.2 The final version incorporating any comments from Grant Thornton will be presented to the Overview (Audit) Panel on 12 September 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 arrangement in place.

8. RECOMMENDATIONS

8.1 As set out on the front of the report.