

## **AUDIT COMMITTEE**

**30 JUNE 2016**

### **ANNUAL GOVERNANCE STATEMENT**

Report from: Perry Holmes, Chief Legal Officer

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#### **Summary**

This report explains the requirements for reporting and approving an Annual Governance Statement (AGS) covering the financial year 2015/16, and to seek comments and approval of the Statement.

#### **1. Budget and Policy Framework**

1.1 The purpose of the report is to provide Audit Committee with details of the Annual Governance Statement for comment and approval. The Annual Governance Statement is within the budget and policy framework and is a matter for the Audit Committee to consider.

#### **2. Background**

2.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.

2.2 The Council approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. The AGS which is at Appendix 1 to this report explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

2.3 There is a prescribed layout for the AGS that requires the Council to set out its governance arrangements and key elements of internal control and the sources of assurance; a review of the effectiveness of those governance and internal controls and a requirement to identify significant governance issues. The Council must ensure that it can provide evidence for any of the systems of internal control included in the AGS.

- 2.4 Following a review of best practice examples of other AGS the format has been amended slightly, placing the supporting information towards the end of the document so that the controls in place read more fluently.
- 2.4 Guidance issued by CIPFA regarding the statement also recommends that a suitable independent management group should review the content of the AGS. The Council's Audit Committee will undertake this role. The Chief Executive and the Leader of the Council will sign the statement once the Audit Committee has approved it.

### **3. Annual Governance Statement**

- 3.1 The AGS is the formal statement that recognises, records and publishes a Council's governance arrangements.
- 3.2 It is designed not only to give an opportunity for Councils to consider the robustness of their governance arrangements, but also provide an accurate representation of arrangements in place during the year and to identify areas where improvement is required or particular focus is needed.
- 3.3 Regulations requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and to publish a statement on internal control each year with the Council's financial statements

### **4. Risk Management**

- 4.1 Failure to produce an Annual Governance Statement would lead to a serious weakness in the Council's internal controls and would be a breach of its statutory duty.

### **5. Financial implications**

- 5.1 There are no financial implications arising directly from this report.

### **6. Legal implications**

- 6.1 The legal implications arising directly from this report are set out in the main body.

### **7. Recommendations**

- 7.1 Members are asked to comment on and approve the Annual Governance Statement.

#### **Lead officer contact**

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**Background papers:** None.

#### **Appendices:**

Appendix 1 – Annual Governance Statement