

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Preparing the Annual Governance Statement
Meeting/Date:	Corporate Governance Panel – 15 July 2015
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary

This report explains the process that is to be followed to prepare the 2014/15 Annual Governance Statement (AGS).

The Panel have previously received reports at their July meeting that outlined possible issues for inclusion in the annual governance statement arising from their review of the Council's current position against the Code of Corporate Governance. That review has not yet been undertaken.

The Panel's next meeting is due on the 16 September, at which they will have to agree the AGS so that the statutory deadline of 30 September is met.

Corporate Management Team have asked the Senior Management Team (SMT) to undertake the Code of Corporate Governance review, with the subsequent reporting of any exceptions to the Code being reported to an informal meeting of the Panel. The Panel will then have the opportunity to challenge SMT's findings and agree any significant governance issues that require to be specifically highlighted in the AGS.

The AGS will then be drafted and shared with the Panel. Depending on the number and type of comments that are received it may be necessary to hold another informal Panel meeting, but this will only be as a matter of last resort.

This process has worked well in previous years, allowing the Panel to understand the wider governance framework, become involved in drafting the AGS and so allowing it to be approved in September without further challenge or amendment required.

The AGS is required to include details of any significant governance issues that have arisen. 'Proper practice' as set out in published guidance, does not define the phrase significant. It is therefore proposed that Panel adopted their own significant governance issues definition. This will be wide ranging, dealing with issues as diverse as the non-achievement of the Corporate Plan

objectives, financial resilience and harm to the Council's reputation.

Recommendation

It is recommended that the Panel

1. Agree the process that is to be followed for the preparation of the 2014/15 annual governance statement; and
2. Approve the range of significant governance issues definitions as detailed at paragraph 3.6 in the report.

1. WHAT IS THIS REPORT ABOUT

- 1.1 This report sets out the process to be followed for preparing the 2014/15 Annual Governance Statement (AGS).

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 For the last few years the Panel have held an informal meeting to review the evidence and documentation that supports compliance with the Code of Corporate Governance (Code) principles.
- 2.2 Following last year's review (June 2014) a report was sent to the subsequent Panel meeting (July 2014), summarising the outcome of the review and identifying any areas where it was felt that the Council was not sufficiently complying or in conformance with the Code. The Panel then considered which of the areas were deemed significant enough to be included in the AGS. It is proposed that this process be changed.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 The Corporate Management Team (CMT) wish to streamline the review process by increasing the involvement of the Senior Management Team (SMT) in the evidence and documentation review process. SMT are primarily responsible for ensuring that the Code principles are delivered.
- 3.2 Previous reviews of the Code have only had direct input from those managers who were responsible for delivering specific aspects of the Code. Whilst the Internal Audit & Risk Manager has provided general oversight and challenge, the views of the managers own peers has been missing. The new approach will increase the peer challenge and remove the requirement for the Internal Audit & Risk Manager to be heavily involved at this early stage.
- 3.3 Following the SMT review and challenge, a report will be prepared for CGP that summarises the outcome of the review and details those areas of the Code that SMT consider have not been met or require improvement. Due to the delay in commencing the 2014/15 review, the summary report will have to be discussed by Panel at an informal meeting (as in past years). SMT will attend that meeting and so allow the Panel to question and further challenge the review process and the report contents. This approach will allow the Panel to use their time in a more focused and effective way by concentrating on the key issues that have been identified by SMT rather than having to consider all areas, including those that are working effectively. It is proposed that the informal Panel meeting will be held in early August.
- 3.4 If any issues have been identified from the SMT review, the Panel will determine which of them are significant enough to be included in the AGS. The Internal Audit & Risk Manager will then prepare a

draft AGS, and after obtaining CMT, SMT and the external auditors comments, invite the Panel to make their own comments on its contents. This will allow the final AGS to be prepared and agreed prior to its submission to the September 2015 Panel meeting.

- 3.5 In previous years the Panel have formed their own view as to what should or should not be considered a significant governance issue. With SMT having to prepare an exception report, it is an appropriate time for Panel to formally agree a range of issues that detail what should be considered to be a significant governance issue.
- 3.6 It is not possible to provide a definition to suit all contexts. As the Panel have done in the past, SMT will need to exercise judgement in deciding whether or not particular issues or events should be considered for inclusion in the AGS. The factors that will help SMT in exercising judgement are listed below.

Has the issue identified:

- seriously prejudiced or prevented the achievement of the Corporate Plan themes and aims;
- resulted in the need to seek additional funding or the significant diversion of resources;
- led to a material impact on the financial statements;
- attracted or have the potential to attract significant public interest or have had an impact on the reputation of the Council;
- resulted in formal action being undertaken by the Head of Resources or the Monitoring Officer.
- already been identified by the External Auditor or the Panel as being significant;
- been reported by the Internal Audit & Risk Manager as significant in their annual internal audit opinion;
- resulted in disclosures of serious incidents relating to information governance, including data loss or confidentiality breach;
- put a significant programme or project at risk.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 4.1 Not applicable.

5. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED

- 5.1 The AGS is required to be approved by the Panel by the 30 September 2015. If the Panel approve the process set-out in this report, a project plan will be prepared by the Corporate Director (Services) that allows for the approval of the AGS at the 16 September Panel meeting.

6. WHAT ACTIONS WILL BE TAKEN?

- 6.1 The review of the Code will be undertaken by SMT. This is required to be completed by the end of July so as to allow the Panel to consider their findings and allow for the AGS to be written.

7. LINK TO CORPORATE PLAN

- 7.1 The AGS is a statutory requirement and that

8. CONSULTATION

- 8.1 Not applicable.

9. LEGAL IMPLICATIONS

- 9.1 Whilst the AGS has to be approved by the 30 September, the legal implications from non-compliance are considered to be low. The external auditor would refer to the matter in their annual audit letter which may have an effect upon the Council's reputation.

10. RESOURCE IMPLICATIONS

- 10.1 There are no resource implications arising from this report.

11. OTHER IMPLICATIONS

- 11.1 None.

12. REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 A change to the process for preparing the AGS is being proposed. This will result in SMT leading on the review of the Code. SMT will require guidance as to what constitutes a significance governance issue so that they can report such issues by exception to the Panel.

BACKGROUND PAPERS

None

CONTACT OFFICER

David Harwood, Internal Audit & Risk Manager

☎ 01480 388115