

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	12 JULY 2012
TITLE	GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2011/12
PURPOSE OF REPORT	TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2011/12 TO THE AUDIT COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO APPROVE THE STATEMENT AND ALLOW IT TO BE SIGNED BY THE COUNCIL LEADER AND THE CHIEF EXECUTIVE

I. INTRODUCTION

- I.1 The legislation and guidance on the need to prepare and deliver an Annual Governance Statement has evolved over many years. CIPFA's original requirement was that relevant local authorities included a Statement of Internal Financial Control for each with the Statement of Accounts for each financial year.
- I.2 This developed into a need to provide an annual Statement of Internal Control, which looked at the arrangements to manage those risks in a wider context than just financial ones. This is the requirement that continues to be included explicitly in the relevant legislation, regulation 4(2)(a) of the Accounts and Audit Regulations (Wales) 2005 (as amended by the Accounts and Audit Regulations (Wales) 2010):

The local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, when relevant, with any statement of accounts it is obliged to publish.

I.3 What is "Proper practice"?

- I.3.1 "Proper practice" is defined as CIPFA's Statement of Recommended Practice ("SORP"), the Code of Practice on Local Authority Accounting in the United Kingdom. The SORP in turn states that the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* is also to be treated as proper practice.
- I.3.2 The CIPFA / SOLACE Framework was published in 2007 in order to give clear guidance to local authorities to encourage a consistent approach when dealing with governance issues, and defines those principles that should underpin the governance of each local government body. An Application Note was published in 2010 that refers to the role of the Chief Finance Officer within the governance process.

- I.4 The SORP and the CIPFA / SOLACE Framework both now express that there is a need to publish a wider Annual Governance Statement that incorporates the Statement of Internal Control.
- I.5 The purpose of the Annual Governance Statement is to state that the authority has considered its governance framework, and to report that this remains adequate and continues to operate effectively, and to demonstrate that there are actions planned where any weaknesses in the governance arrangements have been identified.

2. THE COUNCIL'S LOCAL CODE OF GOVERNANCE

2.1 The Council's Local Code of Governance was approved by Board on 5 April 2011. The code has been included in Appendix I; it is based upon the six core principles of the CIPFA / SOLACE Framework, which are:

Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community, creating and implementing a vision for the local area (including citizens and service users)

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Core Principle 3: Promoting the authority's values and demonstrating the values of good governance by upholding high standards of conduct and behaviour.

Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.

Core Principle 5: Developing the capacity and capability of members and officers to be effective.

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

2.2 According to the CIPFA / SOLACE Framework, an Annual Governance Statement should be prepared the included five distinct sections, together with a declaration of opinion at the end:

Part	Heading	Description
Part 1	Scope of Responsibility	An acknowledgement of responsibility for ensuring there is a sound system of internal control.
Part 2	The Purpose of the Governance Framework	An indication of the level of assurance that a system of internal control can provide.
Part 3	The Governance Framework (i.e. a description of the governance arrangements in place at the Authority)	A brief description of the key elements of the internal control environment including controls relating to group activities where the activities are significant.
Part 4	Effectiveness of the Governance Framework	A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role of: the authority; the executive; the audit committee/overview and scrutiny committee/risk management committee; internal audit and other explicit review/assurance mechanisms.
Part 5	Significant Governance Issues (i.e. governance issues that require further attention)	An outline of the actions taken, or proposed, to deal with significant internal control issues.

- 2.3 Since 2011/12 was the first year in which the Local Code of Governance was in place, Parts 3 and 4 of the draft Annual Governance Statement, a description of the Council's governance framework and an assessment of its effectiveness, are set out in the order of six core principles for the first time this year.
- 2.4 The draft Annual Governance Statement is included in Appendix 2. The final version will be published with the Statement of Accounts.
- 2.5 The CIPFA / SOLACE Framework states that Part 3 of the Annual Governance Statement must contain a description of the authority's arrangements to:
- Identify and communicate the authority's vision
 - Review the authority's vision and its implications for the governance arrangements
 - Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and best use of resources
 - Define and document the responsibilities, with clear delegation arrangements for effective communication
 - Develop and communicate codes of conduct for members and staff
 - Review and update standing orders and processes and controls required to manage risks
 - Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010)
 - Function of the audit committee
 - Ensuring compliance with relevant laws, regulations, internal policies and that expenditure is lawful
 - Whistle blowing and receiving complaints from the public
 - Identify and develop the needs of members and senior officers
 - Establishing clear channels of communication with the community and other stakeholders, ensuring accountability and open consultation
 - Incorporating good governance arrangements in respect of partnerships and reflecting these in the governance arrangements
- 2.6 Core Principles 1 to 6 in Part 3 of the draft Annual Governance Statement in Appendix 2 considers the headings in paragraph 2.5 in turn.

3. ROLE OF THE AUDIT COMMITTEE

- 3.1 Given the key role of the Audit Committee in the context of Council's governance framework, the Committee has a role in challenging the contents of the draft Annual Governance Statement, prior to recommending that it is signed by the Council Leader and Chief Executive.
- 3.2 In providing the Annual Governance Statement, it is essential that evidence is in place to support the content before the final document is presented to the Audit Committee, signed and published with the Statement of Accounts by 30 September. The Local Code of Governance means that a framework is now in place to collect this evidence together, and it can be seen that parts 3 and 4 of the Annual Governance Statement refers to the source of the evidence described.
- 3.3 The following is particularly relevant as sources of evidence for the Statement:
- The Council's Constitution:
 - Protocols for the discharge of the statutory functions of the Monitoring Officer and the Chief Financial Officer.
 - Schemes of Delegation
 - Rules of Procedure
 - Codes of conduct for members and officers
 - Gwynedd Council's Three-Year Plan and reviews thereof
 - Internal Audit Strategy
 - The Annual Report by the Head of Internal Audit
 - Audit reports presented to the Audit Committee
 - The Financial Strategy
 - Performance management guidance notes
 - Risk Management Strategy and Policy
 - Job descriptions for the statutory officers
- 3.4 Statements, comments and declarations from these sources and from key officers were used to write the Annual Governance Statement.

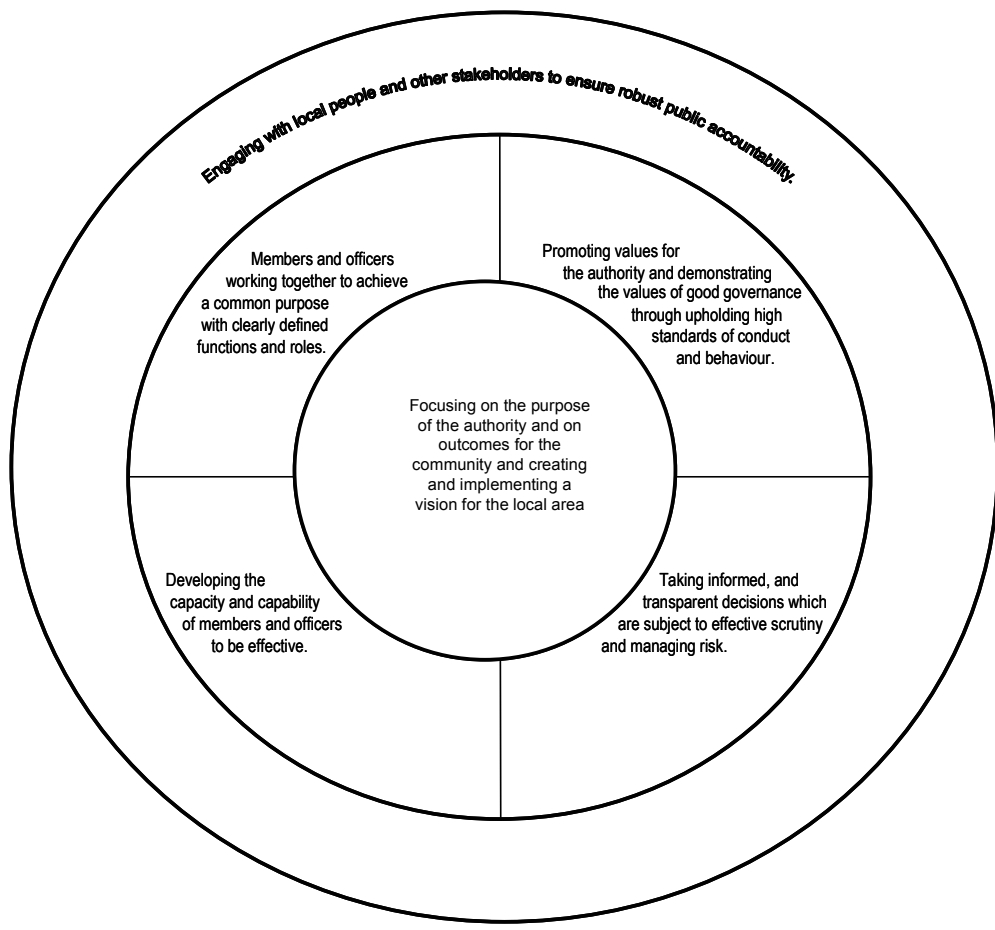
4. RECOMMENDATION

- 4.1 The Audit Committee is requested to approve the Annual Governance Statement, incorporating Gwynedd Council's Statement on Internal Control for the 2011/12 financial year and the period since the balance sheet date.

GWYNEDD COUNCIL

LOCAL CODE OF GOVERNANCE

Gwynedd Council is committed to providing services and making decisions in the best way possible. In order to achieve this, the Council has adopted the six core principles of "Achieving Good Governance in Local Government". (Cipfa/Solace 2007)



Each of the six core principle has a number of supporting principles.

The meaning of “good governance” is to ensure that the policy, systems, procedures and structures framework, which together, manage the way in which the Council administers its business, comply with these six core principles.

Good governance means that the Council’s values and culture accord with these principles.

Good governance means doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

The Council acknowledges that good governance leads to good management, good performance, good public engagement and, ultimately good outcomes for citizens and service users.

During 2010, the Council held a self-assessment of its governance arrangements by assessing them against five themes:

- achievements and results
- leadership and governance
- engagement with customers, communities and partners
- managing resources and performance
- procedure and people

The results of the self-assessment identified areas of strength along with issues to be addressed in an action plan. The evidence gathered in the self-assessment forms the basis of the Local Code of Governance.

The purpose of this Local Code of Governance is to summarise, in one document, the principles that the Council adheres to when governing, along with a description of the policies, strategies and procedures that show how the Council intends to achieve them. It will be a live document and will be added to as other policies and strategies are developed following the self-assessment.

This Code will be reviewed annually as the Annual Governance Statement is produced.

Core principle 1: Focusing on the purpose of the authority and on outcomes for the community, creating and implementing a vision for the local area (including citizens and service users)

Supporting principles:

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

The supporting policies, strategies, procedures and processes are:

- The Council Values
- The Council's Three Year Plan
- The Community Strategy
- Statement of the Accounts
- The Financial Strategy
- The complaints procedure
- The 'Achievement' system
- The Local Code of Governance
- The Auditor's Annual Letter

Core principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Supporting principles:

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.
- Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard.
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

The supporting policies, strategies, procedures and processes are:

- Scheme for delegation to committees
- Scheme for delegation to the portfolio leaders
- Scheme for delegation to officers
- Decision Notices
- Description of members' roles and responsibilities
- Protocols for implementing statutory officer functions
- The Protocol for Member-Officer Relations
- Members' Allowance Scheme

Core principle 3: Promoting the authority's values and demonstrating the values of good governance by upholding high standards of conduct and behaviour.

Supporting principles:

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- Ensuring that organisational values are put into practice and are effective.

The supporting policies, strategies, procedures and processes are:

- Members' Code of Conduct
- Officers' Code of Conduct
- The Gwynedd Standard
- Standards Committee Procedural Rules
- Anti-fraud and Corruption Policy
- The Council's Procedural Rules
- Financial Procedural Rules
- Contracts Procedural Rules
- The appraisal procedure
- Internal Audit Plan
- Gifts and Hospitality Policy - officers
- Gifts and Hospitality Policy - members
- Officer's Interests Policy
- The Standards Committee Annual Report

Core principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.

Supporting principles:

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place.
- Using their legal powers to the full benefit of the citizens and communities in their area.

The supporting policies, strategies, procedures and processes are:

- The Risk Management Strategy
- Overview and Scrutiny Procedural Rules
- Access to Committee Information Procedural Rules
- Overview and Scrutiny Strategy
- Members' Training Programme (Scrutiny).
- Officers' Training Programme (Constitutional Arrangements).
- Remit of the Audit Committee
- The Complaints Procedure
- Decision Notices
- Committee minutes
- Whistle Blowing Code of Practice
- Guidance for Chairpersons' Booklet
- The Scrutiny Strategy
- Corporate Risks Register

Core principle 5: Developing the capacity and capability of members and officers to be effective.

Supporting principles:

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
- Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

The supporting policies, strategies, procedures and processes are:

- New Members Induction Programme.
- Member Training Strategy
- Members' Personal Development Plan
- Officer Training and Development Plan
- The appraisal procedure
- The Succession Plan.
- The recruitment procedure
- Member Support and Development Charter
- Management Competency Framework.

Core principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

Supporting principles:

- Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by authority, in partnership or by commissioning.
- Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

The supporting policies, strategies, procedures and processes are:

- Scrutiny Annual Report
- Access to Committee Information Procedural Rules
- Planning Code of Practice
- The Annual Report on the Council's Achievement
- Gwynedd Together, the Community Strategy