COMMITTEE	**AUDIT COMMITTEE**
DATE	**23 JUNE 2016**
TITLE	**GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2015/16**
PURPOSE OF REPORT	**TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2015/16 TO THE AUDIT COMMITTEE FOR APPROVAL**
AUTHOR	**DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK**
ACTION	**TO APPROVE THE STATEMENT SO THAT IT CAN BE SIGNED BY THE COUNCIL LEADER AND THE CHIEF EXECUTIVE**

1. INTRODUCTION – WHAT DOES THE AUDIT COMMITTEE NEED TO DO?

1.1 In order fulfil its duties as "those charged with governance", it is necessary for the Audit Committee to:

- **Consider the Draft Annual Governance Statement that appears in the appendix.**

- **Challenge the Senior Manager Revenues and Risk on the "Impact" and "Effectiveness" scores that have been identified, and the narrative that explains the justification for the score.**

- **Consider the action plan contained in the draft Annual Governance Statement.**

- **Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.**

2. BACKGROUND

2.1 There is a statutory requirement for an Annual Governance Statement as a result of:

- The Accounts and Audit (Wales) Regulations 2014, which state:

  The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk, and adequate and effective financial management.

  The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control. The findings of the review must be considered by the members of the body meeting as a whole or by a committee.

  Following the review, the body or committee must approve a statement on internal control prepared in accordance with proper practices. The relevant body must ensure that the statement accompanies any statement of accounts which it is obliged to prepare.

- CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (the "SORP")

- CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* and subsequent addenda. A new version of the framework was published during April 2016. During the summer of 2016 the Council will begin the work of reviewing its governance arrangements in the context of the new framework, but the 2015/16 Statement has been drawn up on the basis of the framework that was in force during the year.

3. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE GOVERNANCE ARRANGEMENTS

3.1 The Audit Committee has a key function in challenging the preparation procedures and the contents of the draft Annual Governance Statement. When signing the Governance Statement, the Chief Executive and Council Leader confirm:

"We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below".

3.2 The Annual Governance Statement summarises the results of the governance self-assessment, as updated by the Governance Arrangements Assessment Group, in a statement that tells the People of Gwynedd what our governance framework is, and how well it is working. The members of the Group are the Chief Executive, the Monitoring Officer, the Head of Corporate Support, two Corporate Support Senior Managers and the Senior Manager Revenues and Risk.

3.3 The diagram containing the Impact and Effectiveness scores follow the same format as the 2015 Statement. When approving that statement, the Audit Committee resolved to accept that the definition of "good governance" should be arrangements that place providing for the people of Gwynedd at their centre.

3.4 The Audit Committee needs to satisfy itself that the narrative justifying the scores is a fair reflection of the Council as far as it is aware, based on the information that it has received over the year.

4.   THE SCORING PROCEDURES

4.1   The arrangements for setting the Impact and Effectiveness scores for elements of the Council's Governance Framework have been the subject of reports to the last two meetings of the Audit Committee, on 11 February 2016 and 5 May 2016.

4.2   The report to the 11 February meeting presented details of a recent assessment of all elements of the governance framework, including changes in the scores where appropriate. A link to this report is found below:

Report:

https://democracy.cyngor.gwynedd.gov.uk/documents/s3720/Self-Assessment%20of%20Governance%20Arrangements.pdf

Appendix:

https://democracy.cyngor.gwynedd.gov.uk/documents/s3721/Appendix.pdf

4.3   The meeting of 5 May resolved that the Council would use a 5x5 matrix rather than 10x10 from now on to display its Impact and Effectiveness scores. This was based on a recommendation by the Management Group, and consideration by the Governance Arrangements Assessment Group. The report set out the results of the assessment that was reported in February within the new matrix:

Report:

https://democracy.cyngor.gwynedd.gov.uk/documents/s4442/Self-Assessment%20of%20Governance%20Arrangements.pdf

Appendix:

https://democracy.cyngor.gwynedd.gov.uk/documents/s4443/Appendix.pdf
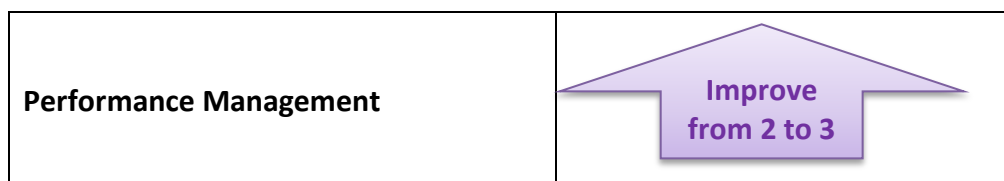
Impact Scores

4.4   None of the Impact scores have changed since the presentation to the Audit Committee on 5 May.

Effectiveness Scores

4.5   One Effectiveness score has changed since the previous presentation to the Committee on 5 May, which is an increase in the Performance Management score from 2 to 3 out of 5.

Performance Management	Improve from 2 to 3

4.6   That reflects the progress that has been made in introducing a new performance management regime across the Council, with business units across the authority now considering if we are measuring the right things.

5. THE COUNCIL'S PRIORITIES

5.1 The result of the changes made during the year since the approval of the 2014/15 Annual Governance Statement is the following changes to the Council's governance priorities:

- The Council's Values has been renamed "The Council's Culture" and has moved from red to orange
- Engagement has moved from red to orange
- Leadership Programme has moved from orange to yellow
- Information Governance has moved from red to orange
- The 'Cyflawni' arrangements has been renamed "Performance Management" and has moved from red to orange
- External Auditor's Annual Letter has been renamed "Response to the External Auditor's Annual Letter" and has moved from orange to yellow
- Standards Committee has moved from yellow to green
- Member Inter-relationships has moved from orange to yellow
- Whistleblowing Code of Practice has moved from yellow to green
- Use of Technology is a new element that is orange
- Asset Management is a new element that is yellow
- Staff Appraisal, Training and Development has been renamed "Workforce Planning" and remains orange.

5.2 Therefore, there are now no Very High Priorities Areas (red).

5.3 The High Priority Areas (orange) are:

- The Council's Culture
- Integrated Public Services
- The Council's Strategic Plan
- Engagement
- Information Governance
- Risk Management Arrangements
- Performance Management
- The Scrutiny Process
- Workforce Planning
- Use of Technology

6. RECOMMENDATION

6.1 The Audit Committee is requested to

- Consider the Draft Annual Governance Statement that appears in the appendix.
- Challenge the Senior Manager Revenues and Risk on the "Impact" and "Effectiveness" scores that have been identified, and the narrative that explains the justification for the score.
- Consider the action plan contained in the draft Annual Governance Statement.
- Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.