

# Annual Governance Statement 2018/19

Report of the Finance Portfolio Holder

## Recommended:

**That the Annual Governance Statement for 2018/19 be approved and that the Leader and Chief Executive be authorised to sign it on behalf of the Council.**

### SUMMARY:

- The purpose of this report is to seek approval for the Annual Governance Statement, which accompanies the 2018/19 Statement of Accounts.
- Best practice requires that the approval of this Statement is considered separately from the Statement of Accounts, although both are published together in July each year.

## 1 Introduction

- 1.1 Test Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

## 2 Background

- 2.1 As part of its responsibilities outlined above, the Council is also required to produce an Annual Governance Statement and publish this Statement alongside its annual accounts. The format of the Statement is based on guidance issued in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) in conjunction with the Society of Local Authority Chief Executives (SOLACE) titled 'Delivering Good Governance in Local Government: Framework'.
- 2.2 The Statement is attached as an Appendix to this report and covers the following areas:
- (a) Scope of Responsibility
  - (b) The Purpose of the Governance Framework
  - (c) The Governance Framework in place at the Council

- (d) A review of its effectiveness
  - (e) A separate annex of Significant Governance Issues that need to be addressed during the year.
- 2.3 The Review of Effectiveness (item 2.2 (d)) would normally have been carried out by the Internal Audit Partnership Manager employed by Gosport, but in his absence, the Head of Finance approached the Deputy Chief Internal Auditor (DCIA) of Portsmouth City Council to undertake the review this year.
- 2.4 The DCIA has reviewed all of the internal audit work carried out during the year and familiarised himself with the Council's governance arrangements. To inform this work, a separate independent external assessment of the internal audit function's conformance with the Public Sector Internal Audit Standards (PSIAS) was carried out in March 2019.
- 2.5 This assessment concluded that the function "generally" or "partially" conforms with 82.3% of the standards. Whilst there are gaps in some key areas, the assessment found clear evidence that "the work the Service has delivered is effective; especially around risk and performance. It contributes to, and has influence in, the Authority on these areas. It is a highly respected service that is engaged with the organisation and which provides on-going support in key areas, as well as effective assurance on controls".
- 2.6 On the basis of Internal Audit work completed in 2018/19 only, the DCIA of Portsmouth City Council has provided a "substantial assurance" in respect of the Council's risk management, control and governance arrangements but this opinion has been qualified as a result of the PSIAS assessment. "Substantial Assurance" means that systems in place are generally sound, but some weaknesses have been identified which may put some of the control objectives at risk. These weaknesses have been identified and form the basis of the action plan appended to the Annual Governance Statement.

### **3 Corporate Objectives and Priorities**

- 3.1 In addition to its legal responsibilities, approval of an Annual Governance Statement is considered to be best practice and will ensure that proper arrangements are in place to deliver the aims of the Council's Corporate Plan.

### **4 Consultations/Communications**

- 4.1 The Chief Executive, Directors and all Heads of Service have been asked to review the Statement and consider whether there are any areas which they feel are appropriate for disclosure. All comments received have been incorporated into the Statement. The Audit Panel has also reviewed the Statement and action plan at its meeting on 11<sup>th</sup> March and endorsed the Statement.

### **5 Options**

- 5.1 The Council has a statutory duty to approve an Annual Governance Statement. In view of this, options are limited.

## 6 Risk Management

- 6.1 A risk assessment has been completed in accordance with the Council's Risk Management Methodology and has identified three significant governance issues as detailed in the annex to the Statement. The Required Actions proposed to mitigate these risks include timescales and lead officers responsible for completing them.

## 7 Resource Implications

- 7.1 There are no direct resource implications in approving the Annual Governance Statement. The publication costs can be met within existing budgets.

## 8 Legal Implications

- 8.1 The Council is required by the Accounts and Audit (England) Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement with the Statement of Accounts.

## 9 Equality Issues

- 9.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EQIA has not been carried out.

## 10 Conclusion

- 10.1 The Annual Governance Statement is part of the framework for delivering good governance in local authorities. The Statement is a high profile document signed by the Leader of the Council and the Chief Executive and is published with the Statement of Accounts each year to demonstrate a commitment to improving corporate governance.

### Background Papers (Local Government Act 1972 Section 100D)

Delivering Good Governance in Local Government: Framework' – CIPFA /SOLACE Publication 2016

Accounts and Audit (England) Regulations 2015' – [www.legislation.gov.uk](http://www.legislation.gov.uk)

### Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:

1

File Ref:

N/A

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Report to:

Council

Date:

26 June 2019