

**Agenda Item No:** 11 **Report No:** 81/16

**Report Title:** Annual Governance Statement 2016

**Report To:** Audit and Standards Committee **Date:** 20 June 2016

**Ward(s) Affected:** All

**Report By:** Head of Audit, Fraud and Procurement

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**Purpose of Report:**

**To seek Councillors' approval to the draft Annual Governance Statement 2016**

**Officer's Recommendation(s):**

- 1 To comment on and approve the draft Annual Governance Statement 2016 (shown at Appendix A).
  - 2 To delegate to officers any final adjustments required to the Annual Governance Statement 2016 in the period up to the approval of the Statement of Accounts.
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**Reasons for Recommendations**

- 1 To meet the Council's legal requirement to produce an Annual Governance Statement.

**Information**

**2 Background**

- 2.1 Lewes District Council is required to prepare an Annual Governance Statement (AGS) each year in accordance with the statutory requirement set out in the Accounts and Audit Regulations, the most recent reference being regulation 6(1) of the Accounts and Audit Regulations 2015. The AGS covers the whole control framework of the Council rather than those controls which simply have a financial aspect.
- 2.2 The Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) in their report, Delivering Good Governance in Local Government (2007), issued guidance on the form and content of the AGS. In December 2012 an addendum to this document was issued which included a number of additional areas (e.g. ensuring effective management of change and

transformation) to take into account in the governance framework. This guidance has been followed in compiling the statement.

- 2.3** The AGS is presented to enable members to comment on and approve on it in advance of the September 2016 meeting of the Committee when the AGS will be included with the Statement of Accounts and inserted after the Independent Auditor's report at the end of the Statement of Accounts. Adjustments can be made to the Annual Governance Statement up to the date of approval of the Statement of Accounts.

### **3 Form and content of the Annual Governance Statement**

**3.1** The CIPFA/SOLACE framework recommends that the following information be included:

- **Scope of responsibility:** An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
- **The purpose of the governance framework:** An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide.
- **The governance framework:** A brief description of the key elements of the governance framework including reference to group activities where those activities are significant.
- **The review of effectiveness:** A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements in the year of account including some comment on the role of:
  - (i) the Authority
  - (ii) the Executive (the Cabinet)
  - (iii) the Audit and Standards Committee/Scrutiny Committee/risk function
  - (iv) Internal Audit
  - (v) other explicit review/assurance mechanisms
- **Significant governance issues:** An outline of the actions taken or proposed to deal with significant governance issues, including an agreed action plan.

### **4 Assurance and the Annual Governance Statement**

- 4.1** Best practice recommends that a system of management assurance is in place to underpin the AGS. The Council's assurance framework was adopted in 2006 and is subject to regular review by the Head of Audit, Fraud and Procurement, most recently in April 2016.

**4.2** With reference to the assurance framework the following steps take place:

- The Director of Corporate Services, Assistant Director of Corporate Services and the Head of Audit, Fraud and Procurement draft the AGS and evaluate assurances and supporting evidence (April/May 2016).
- The Corporate Management Team review the draft AGS and consider significant governance issues (May 2016).
- The Audit and Standards Committee comment on and approve the draft AGS (June 2016).
- The AGS is included with the Statement of Accounts and inserted after the Independent Auditor's report at the end of the Statement of Accounts to the Audit and Standards Committee (September 2016).
- The AGS is then signed off by the Leader of the Council and Chief Executive by the 30 September 2016 (September 2016).

**4.3** The Code of Practice on Local Authority Accounting 2015/16 requires that a specific statement is included in AGS on whether or not the Council's financial arrangements conform to the CIPFA requirements for the Role of the Chief Financial Officer in Local Government (2010).

## **5 Financial Appraisal**

**5.1** There are no additional financial implications arising from this report.

## **6 Legal Implications**

**6.1** None other than those identified in the body of the report.

## **7 Risk Management Implications**

**7.1** Failure to produce an AGS and maintain proper assurance arrangements to support its production can reduce the likelihood of the Council meeting its objectives and attract criticism from the Council's stakeholders and the Council's external auditor. The Audit and Standards Committee review of the AGS significantly reduces these risks.

## **8 Sustainability Implications**

**8.1** I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is a progress report.

## **9 Equality Screening**

**9.1** I have given due regard to equalities issues and, as this is an internal monitoring report, screening for equalities is not required.

## **10 Background Papers**

**10.1** Lewes District Council Local Code of Corporate Governance (Updated March 2016) <http://www.lewes.gov.uk/council/3748.asp>

## **11 Appendices**

### **11.1 Appendix A: Draft Annual Governance Statement 2016.**