

Meeting: Corporate Governance Committee

Date: 14 September 2016

Subject: Annual Governance Statement 2015/16

Report By: The Treasurer

Author: Adam Stretton (Area Manager Finance and ICT)

For: Decision

1. Purpose

The purpose of this report is to present the Annual Governance Statement (AGS) 2015/16.

2. Recommendations

The Committee is asked to recommend approval to the Combined Fire Authority (CFA) on the AGS 2015/16 and for its publication with the Statement of Accounts.

3. Executive Summary

3.1 Approval and ownership of the AGS is required at a corporate level. The AGS is published with the final Statement of Accounts that will be presented to the CFA for approval on the 29 September 2016.

4. Report Detail

4.1 Local Authorities are required to produce an AGS which is consistent with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). Internal Audit reviewed it as part of the annual assurance requirements to look at the broader governance arrangements of the organisation (covering governance, risk management procedures and internal control). External Audit reviewed the AGS to consider whether it complied with the CIPFA / SOLACE guidance and whether it was misleading or inconsistent with other information known to them from their audit work.

4.2 The Framework "Delivering Good Governance in Local Government" was launched in June 2007 at the Chartered Institute of Public Finance's (CIPFA) annual conference. The Framework which was produced by CIPFA and the Society of Local Authority Chief Executives (SOLACE) set the standard for local authority governance in the UK and introduced the requirement from the 2007/08 Statement of Accounts to produce an AGS to replace the Statement of Internal Control. CIPFA and SOLACE reviewed the Framework in 2012 to

ensure that it remained “fit for purpose” and issued revised guidance.

- 4.3 The Framework urges Local Authorities to review and report on the effectiveness of their governance arrangements, with an increased emphasis on a strategic approach focusing on outcomes and value for money, driven by the significant change being experienced in Local Government and the introduction of other key legislation. The AGS is an important statutory requirement which enhances public reporting of governance matters.
- 4.4 The Solicitor and Monitoring Officer presented the final annual review of governance arrangements to the CFA on 22 June 2011. Historically, this would have included the annual self-assessment of the CFA’s performance against the six principles of good governance described in the CIPFA / SOLACE Framework. However, he recommended and the CFA approved the cessation of the practice of producing an annual review of governance arrangements, and the adoption of a Local Code of Governance.
- 4.5 Following analysis of the CFA’s governance arrangements, the AGS has been produced in accordance with the guidance in the CIPFA / SOLACE Framework and provides a self-assessment of the CFA’s performance across all of its activities. It is attached as **Appendix 1**. Other sources of evidence included corporate assessments, external inspections and internal and external audit reports. It is being presented to the Committee to comply with CIPFA guidance, which requires high level input in order to ensure that the AGS reasonably reflects their knowledge and experience of the CFA’s governance and control framework and that suggested areas for improvement are appropriate. Any comments by the Corporate Governance Committee and the CFA will be duly considered and incorporated as appropriate.
- 4.6 Guidance states that the ‘Significant Governance Issues’ are those that:
- Seriously prejudice or prevent achievement of a principal objective of the CFA.
 - Have resulted in the need to seek additional funding to allow these issues to be resolved, or has resulted in the significant diversion of resources from another aspect of the business.
 - Have led to a material impact on the accounts.
 - The Corporate Governance Committee advises should be considered significant for this purpose.
 - The Head of the Internal Audit Service reports on as significant in the annual opinion on the internal control environment.
 - Have attracted significant public interest or have seriously damaged the reputation of the organisation.
 - Have resulted in formal action being undertaken by the Treasurer and/or the Monitoring Officer.
- 4.7 For the AGS to have its intended benefit it is important to be open and honest about the areas for improvement but also to give a balanced view of the organisation. The assurance gathering process identified key corporate areas of

improvement and implementing actions to address. These will ensure that identified gaps within the CFA's current control environment will be filled and will further enhance the CFA's overall governance arrangements. The 2015/16 review of the Governance Framework has identified a number of minor issues that required attention. Outstanding actions identified in the AGS will be assigned to the appropriate managers.

- 4.8 The Code of Practice in Local Authority Accounting states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported. The AGS has been updated to reflect the revised constitutional arrangements agreed in 2015/16 and also reflects changes to the role of Monitoring Officer and Chief Fire Officer in 2016/17.
- 4.9 The Head of the Internal Audit Service has produced his annual opinion on the overall adequacy and effectiveness of the control environment 2015/16 operated by the CFA and this is presented as a separate report on the agenda for this meeting. The assurances contained in this opinion are incorporated into the AGS.
- 4.10 Approval and ownership of the AGS will be reflected at corporate level by the Senior Management Team. The statement will be signed on behalf of the CFA by the Chief Fire and Rescue Officer and the Chair of the CFA.

5. Report Implications / Impact

5.1 *Legal (including crime and disorder)*

There is a statutory requirement in England under the Accounts and Audit (England) Regulations 2015, for a Local Authority to conduct, at least once in each financial year, a review of the effectiveness of its system of internal control and overall corporate governance arrangements. This review requires the sources of assurance, which the CFA relies on, to be brought together and reviewed, from both a departmental and corporate view.

5.2 *Financial (including value for money, benefits and efficiencies)*

These are contained within the report.

5.3 *Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)*

The Accounts and Audit (England) Regulations 2015 require the approved AGS to accompany the Statement of Accounts. The statement is separate from the accounts for the purposes of external audit.

5.4 *Staff, Service Users and Stakeholders (including the Equality Impact Assessment)*

The arrangements and changes for the posts of Treasurer, Monitoring Officer

and Chief Fire Officer are reflected within the AGS.

5.5 ***Environmental***

Hard copies of the Annual Report (which will include the Statement of Accounts) are only produced on request. An electronic copy is available on the CFA's website.

5.6 ***Impact upon Our Plan Objectives***

One of the CFA's corporate aims is achieving excellence in managing our Service. This is underpinned by the objective of efficiency and provision of a Value For Money service. The production of the AGS supports both the aim and objective.

6. Background Papers

- a) Annual Review of Governance Arrangements (CFA Report – 22 June 2011)
- b) Statement of Accounts and Annual Governance Statement 2014/15 (CFA Report – 24 September 2015)

7. Appendices

Draft Annual Governance Statement 2015/16