



**AUDIT AND RISK MANAGEMENT**

**26<sup>TH</sup> SEPTEMBER 2016**

<b>REPORT TITLE</b>	<b>ANNUAL GOVERNANCE STATEMENT 2015-16</b>
<b>REPORT OF</b>	<b>STRATEGIC DIRECTOR – TRANSFORMATION &amp; RESOURCES</b>

**REPORT SUMMARY**

The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit (England) Regulations 2015.

This report presents Audit and Risk Management Committee with the final Annual Governance Statement and an action plan for consideration by committee members.

**RECOMMENDATION/S**

That the final draft of the Annual Governance Statement and action plan are considered by the Audit and Risk Management Committee and presented to Cabinet for approval in November 2016.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1. Not applicable due to the statutory requirement.

### **3.0 BACKGROUND INFORMATION**

- 3.1 It is necessary for the Council: to have approved and adopted a Code of Corporate Governance that complies with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government; and to report publicly through the Annual Governance Statement the extent to which the governance processes outlined in the Code are operating effectively in practice.

- 3.2 The Framework identifies six core principles of good governance:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

### **4.0 ANNUAL GOVERNANCE STATEMENT 2015-16**

#### **4.1 The approach**

The Annual Governance Statement 2015-16 covers the period from April 2015 to March 2016 and therefore the significant governance issues identified are those which have occurred during this period.

The statement highlights the Council has continued to improve during 2015-16 to strengthen its governance arrangements and build on previous improvements. The Council has identified one governance issue in 2015-16 which relates to compliance with certain Council processes and procedures, including performance appraisals,

absence management, contract procedure rules and essential training. This presents an improved position from four governance issues in 2014-15; however the organisation is committed to taking prompt action to address this remaining issue and has developed an action plan which is attached at appendix 2.

The production of the Council's Annual Governance Statement is based on relevant supporting evidence provided by Internal Audit, with the overall direction provided by the Strategic Leadership Team to ensure high level corporate engagement and ownership.

The Council's Internal Audit team has been responsible for undertaking the relevant assurance work; however, it is important to note that the Annual Governance Statement is not owned by the audit function and is a Council statement on the effectiveness of its governance processes.

The review of the Annual Governance Statement and the accompanying assurances are also important roles for the Audit and Risk Management Committee.

#### 4.2. Evidence

Internal Audit has provided the following sources of evidence and documentation to support the production of the Annual Governance Statement:

- a) A review of the key governance processes in place.
- b) Collation and review of Chief Officers and Managers Assurance Statements (in which assurances are provided and weaknesses highlighted over a range of key governance processes within specific areas of responsibility).
- c) A review of reports by external review agencies has been completed.

#### 4.3 Progress on significant governance issue: compliance

There has been positive progress made from April to September 2016 to address the issue of compliance. An overview of the current position is outlined within the action plan to provide Members of the Committee with assurance that action is being taken and is having a positive impact.

#### 4.4 Highlights

##### 4.4.1 Corporate Procurement

Adherence to the Corporate Procurement processes and procedures continues to be a high priority for the organisation. As of September 2016 to date, there have been no issues of non-compliance during 2016-17. The Corporate Procurement Team is ensuring there is consistent application of the rules on all occasions, and there are regular reports provided to the Corporate Governance Group to ensure there is a robust accountability and compliance across the organisation.

##### 4.4.2 Absence Management

The management of employee absence remains a high priority for the organisation and robust action continues to be taken to reduce the level of sickness across the Council. The current position (2.53 days absence per FTE) at the end of June 2016 demonstrates an improvement of 0.27 days the previous year. The current forecast is projected at 10.62 days for 2016-17 which, if achieved, would be below the target set and an overall improvement of 0.88 days compared to 11.63 days in 2015-16.

#### 4.4.3 Essential Training

There has been a review of the Council's approach to essential training for 2016-17 to ensure the training focuses on the key priorities for the Council and is fully aligned to the performance appraisal process. The target is for all managers and employees to complete relevant essential training modules by 31<sup>st</sup> March 2016. Monthly monitoring reports are provided to the Strategic Leadership Team on the completion rate of this training to ensure the target is achieved. Excellent completion levels were achieved across the organisation for the 'Responsibility for Information' training module with 96% of all managers and 88% of all employees having completed the training by August 2016. This demonstrates improved compliance with essential training across the Council.

#### 4.4.4 Performance Appraisals

The completion of performance appraisals for all employees continues to be a high priority for the organisation. The approach has been reviewed for 2016-17 to align with the Council's priorities, reflect best practice from other areas and to provide clearer guidance to managers and employees. The current position demonstrates an improved position compared to previous years with 87% of managers having received performance appraisals at the end of July 2016, compared to 57% the previous year, a 30% improvement. All performance appraisals are scheduled to be completed by 30<sup>th</sup> September 2016 with current performance at 37%. This is an improvement on the previous year, however it is recognised that considerable progress will be required to achieve the target by the agreed deadline. It is anticipated that completion levels will increase following the summer period. Additionally, robust action will be taken by the Strategic Leadership Team to communicate the importance of completing the performance appraisal cycle within agreed timescales and to address areas of non-compliance.

4.4.5 Overall progress demonstrates an improved position on the areas of compliance identified as significant governance issues in the 2015-16 Annual Governance Statement. These issues will continue to be closely monitored by the Corporate Governance Group with areas of concern escalated to the Strategic Leadership Team and the Portfolio Holder for Transformation, Leisure and Culture. An updated position will also be presented to the Audit and Risk Management Committee in March 2017 prior to the preparation of the 2016-17 Annual Governance Statement

## **5.0 FINANCIAL IMPLICATIONS**

5.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Council's Strategic Leadership Team, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

## **6.0 LEGAL IMPLICATIONS**

6.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in Regulation 6 of Accounts and Audit (England) Regulations 2015, Regulation 4(3).

## **7.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

7.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Council's Strategic Leadership Team, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

## **8.0 RELEVANT RISKS**

8.1 Potential failure of the Council to comply with the statutory requirement set out in Regulation 6 the Accounts and Audit (England) Regulations 2011, Regulation 4(3).

## **9.0 ENGAGEMENT/CONSULTATION**

9.1 Consultation has taken place with the Portfolio Holder for Transformation, Leisure and Culture, Council Leader and External Audit to inform the draft of the Annual Governance Statement.

9.2 The production of the statement has been led by the Council's Strategic Leadership Team and supported by officers of the Corporate Governance Group.

9.3 Wirral's External Auditors have also had the opportunity to consider the draft Annual Governance Statement and comment accordingly.

## **10.0 EQUALITY IMPLICATIONS**

None identified.

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## APPENDICES

1. Annual Governance Statement 2015-16
2. Significant Governance Issues Action Plan

## REFERENCE MATERIAL

- CIPFA/SOLACE Delivering Good Governance in Local Government: Guidance Note and Framework (2012).
- CIPFA Annual Governance Statement: A Rough Guide for Practitioners 2007/08.
- Accounts and Audit Regulations (England) 2011.
- CIPFA Code of Practice for Internal Audit in Local Government 2006.
- CIPFA The Role of the Chief Financial Officer in Local Government 2010.
- CIPFA The Role of the Head of Internal Audit in Public Service Organisations 2010.

## SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee - Annual Governance Statement 2015-16	15 <sup>th</sup> March 2016
Audit and Risk Management Committee – Annual Governance Statement 2015-16	13 <sup>th</sup> June 2016