

## Summary Sheet

### Council Report:

Audit Committee

### Title:

2015/16 Draft Annual Governance Statement (AGS)

### Is this a Key Decision and has it been included on the Forward Plan?

No

### Strategic Director Approving Submission of the Report:

Judith Badger (Strategic Director Finance and Customer Services)

### Report Author(s):

Colin Earl (Assistant Director Audit, ICT & Procurement)

### Ward(s) Affected:

None

### Executive Summary:

The purpose of this report is to seek approval for the draft Annual Governance Statement (AGS) 2015/16.

The AGS must be a fair reflection of the Council's arrangements and its current position. Readers, for example the external auditor, must recognise the Authority the document is describing. As would be expected, the 2014/15 AGS included substantial references to the Jay, Ofsted and Casey reports and subsequent Government intervention. These issues remain very significant context to the Council's current position and its arrangements, alongside the improvement work that has been in place now for over a year.

The overall conclusion of the review of governance is that, although there has been much positive progress over the course of the last year, the Council was not demonstrating good governance and meeting its Best Value duty throughout the whole of the year.

The Accounts and Audit Regulations require the draft AGS to be published alongside the draft Statement of Accounts by 30 June 2016, with final versions of both required by 30 September 2016.

Consultation has been carried out with Commissioners, Cabinet Members and the external auditor, and their comments have been reflected in the draft AGS attached.

**Recommendation:**

**The Audit Committee is asked:**

- to agree the draft AGS attached
- to note a final version will be presented to the Committee for approval in September, following the completion of the audit of accounts by KPMG.

**Background Papers:**

"Delivering Good Governance in Local Government", published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives)

**Consideration by any other Council Committee, Scrutiny or Advisory Panel:**

No

**Council Approval Required:**

No

**Exempt from the Press and Public:**

No

**Title:**

2015/16 Annual Governance Statement (AGS)

**1. Recommendations**

- 1.1 The Audit Committee is asked:
- to agree the draft AGS attached
  - to note a final version will be presented to the Committee for approval in September, following the completion of the audit of accounts by KPMG.

**2. Background**

- 2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 2.2 In discharging these responsibilities, the Council must ensure that there is good governance and a sound system of internal control in place, which facilitate the effective exercise of the Council's functions and which include arrangements for the management of risk.
- 2.3 The Accounts and Audit (England) Regulations 2015 require local authorities to:
- *conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement (Regulation 6 (1))*
  - *publish the annual governance statement alongside the draft statement of accounts by 30 June – nb this AGS can be a draft AGS (Regulations 15 (2) and 21 (b))*
  - *publish the approved statement of accounts and annual governance statement by 30 September.*
- 2.4 The CIPFA / SOLACE Delivering Good Governance guidance (2012) suggests the Leader and the Chief Executive should sign a certificate (at the end of the AGS) confirming that the AGS accurately reflects the arrangements in place during the year and the effectiveness of those arrangements. This should be done after the approval of the Statement and prior to its publication. It is the responsibility of the Audit Committee to approve the AGS.
- 2.5 In view of the above, the proposed timeline for the production and publication of the draft AGS, and the subsequent approval of the final AGS, is as follows:

<b>Actions Required</b>	<b>Timescale</b>
<b>Draft Annual Governance Statement published alongside the unaudited Statement of Accounts</b>	<b>30 June</b>
External Audit of the accounts takes place	July to August
Revisions to the draft AGS to take into account any findings from the external audit of the accounts and any significant developments since the publication of the draft AGS, for review by the Strategic Leadership Team	6 Sept
Circulation of any revisions to Commissioners, Members and external audit for comments.	8 September, comments by 13 September
<b>Presentation of a draft final AGS to the Audit Committee for formal review and approval</b>	<b>21 September 2016</b>
<b>Leader and Chief Executive to sign the approved statement</b>	<b>By 30 September 2016</b>
<b>Publication of the Final Approved Annual Governance Statement 2015/16, alongside the audited statement of accounts</b>	<b>By 30 September 2016</b>

2.5 The structure of the AGS is as follows:

- Section 1: Scope of the Council's responsibility
- Section 2: Purpose of the Governance Framework
- Section 3: Child Sexual Exploitation, Ofsted and Corporate Governance Inspections and Government Intervention
- Section 4: Improvement Progress Made During 2015/16
- Section 5: General Corporate Governance Arrangements and Their Operation During the Year
- Section 6: Update on Other Matters Referred to in the Annual Governance Statement 2014/15
- Section 7: Other Significant Issues Arising During 2015/16
- Section 8: *Update Since May 2016 (\*\* this will be added in September, prior to the final approval)*
- Section 9: Leader and Chief Executive Statement 2015/16
- Appendix 1: Commissioners Appointed to Rotherham Council

### 3. Significant Governance Issues

- 3.1 The AGS must be a fair reflection of the Council's arrangements and its current position. The 2014/15 AGS included substantial references to the Jay, Ofsted and Casey reports and subsequent Government intervention. These issues still present a very significant backdrop to the Council's current position and its arrangements, alongside the improvement work that has been in place now for over a year. Sections 3 and 4 of the draft 2015/16 AGS attached at **Appendix 1** still, therefore, make reference to these very important factors which affect the Council's operation.
- 3.3 Section 6 contains an update on other significant issues arising during 2014/15, which included:
- A failure to effectively commission and manage the delivery of school improvement activity
  - Inadequate arrangements for taxi-licensing
  - Inadequate arrangements for minimising the risk of harm to Looked After Children when transport is arranged outside of the Council's Home to School Transport contracts is used, and
  - Weaknesses in arrangements for ensuring contractors were effectively and consistently assuring the safety of tenants when carrying out gas servicing works on behalf of the Council.
- 3.4 Other issues arising in the year from the review of internal control are identified in Section 7 and include:
- The need to develop Service Planning and Performance Management
  - The need to further develop Risk Management
  - Improvements required in relation to the management of Major Projects
  - Weaknesses in relation to Procurement and Contracts Management
  - Weaknesses in relation to Information Governance and the management of Freedom of Information Requests.
- 3.5 Internal Audit presented its annual report to the Audit Committee on 27 April 2016. The report confirmed positive progress had been made during the year, but also highlighted significant weaknesses identified from the work of Internal Audit. The weaknesses led to an opinion by Internal Audit that the Council's control environment was inadequate during 2015/16. Further progress is needed to ensure better internal controls are embedded, and are reflected in audit conclusions reached following Internal Audit's work (See paragraphs 5.10 to 5.12 of the AGS).
- 3.6 The overall conclusion on the effectiveness of the Council's governance arrangements, included in the Annual Governance Statement is as follows:
- "9.5 While there are clear and demonstrable progress and improving foundations to build upon and which, along with the early restoration of some powers, give the Council cause for optimism for 2016/17, our overall conclusion for 2015/16 is a*

*cautious one. The Council was not demonstrating good governance and meeting its Best Value duty throughout the whole of the year. The action plans in place, including a new Year 2 Corporate Improvement Plan, will continue to bring the Council rapidly up to a point where it operates effectively and fully in accordance with good governance. Councillors, commissioners and staff continue to work together to sustain the momentum achieved during the past 12 months in order to realise the further improvement still necessary”.*

**Contact Names:**

*Colin Earl, Assistant Director Audit, ICT and Procurement Ext 22033*

**Appendix 1 - Draft Annual Governance Statement 2015/16**