

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 23 MARCH 2015**

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**DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15**

**REPORT OF CORPORATE DIRECTOR RESOURCES      AGENDA ITEM: 5.3**

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**Reason for Report**

1. The Council is required to produce an Annual Governance Statement (AGS) to accompany the Statement of Accounts as required under Regulation 4 of the Accounts and Audit Regulations 2005.
2. The Committee acknowledges the importance of the AGS and has requested to receive an overview of the process and a draft of the AGS (see Appendix C) at their meeting in March and a final draft in June, with an opportunity to contribute.

**Background**

3. The Council has responsibility for conducting at least annually a review of the effectiveness of the governance arrangements including the system of internal control. The review is informed by a range of assurance sources which are highlighted in Appendix A. Primarily input is sought from senior management who are accountable for effective governance arrangements, particularly the Statutory Officers.
4. Good governance leads to effective management, improving performance, stewardship of public money, successful public engagement and ultimately, the desired outcomes for citizens and service users. Sound governance enables the Council to pursue its vision effectively as well as underpinning the mechanisms for control and the management of risk.
5. The Audit Committee at their meeting in January received a report in relation to the Senior Management Assurance Statement 2014/15 (SMAS) which is to be completed by management at the end of the financial year. The Committee approved the Assurance Statement to be used in collating evidence to inform the Annual Governance Statement 2014/15, although suggested amendments have been made which included an additional question in relation to Personal Performance and Development Reviews, a copy of the revised questionnaire is appended to this report (Appendix B).
6. All Senior Managers have a responsibility to ensure sound governance arrangements within their Directorate. The SMAS gives Directors the opportunity to qualify their assurance and to identify any matter/s which may potentially have a significant impact on the Council. As highlighted in the January report, the SMASs are fundamental to the completion of the AGS since they highlight any significant governance issues to feed into the statement; the outcomes of which will be collated following the year end position and once the Audit & Risk Manager has met with each Director to challenge their responses.

7. Once all have been completed any significant governance issues are compiled into a list and checked against the Corporate Risk Register (CRR). Issues raised that are captured on the CRR are not highlighted in the statement to avoid duplication (this is highlighted in the AGS). The Senior Management Team is presented with the list of significant governance issues for corporate consideration and collective approval.
8. Following approval by management the AGS will be updated and reported to Audit Committee in June within the draft Financial Statements 2014/15. Thereafter the AGS will be finalised in preparation for September Council where the Financial Statements are presented.
9. The AGS is underpinned by a Governance Framework which derives from the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. The Council uses this Framework to identify evidence against each of the principles outlined below. The principles and standards set out in the Framework are aimed at assisting Local Authorities to develop and maintain sound governance arrangements. The Framework is built on the Good Governance Standard for Public Services comprising 6 core principles outlined below:
  - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed, transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of Members and Officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public accountability.
10. The Governance Framework provides a useful source for collating the evidence to inform the AGS, but in order for the AGS to show a true assessment of the Council during the financial period further sources are relied upon.
11. The process of compiling the AGS begins in quarter 4 of each financial year. The Governance Framework is reviewed annually by officers to ensure there are no gaps in the evidence required to meet the principles of the Framework. The review is undertaken by officers from the areas of Audit & Risk, Performance & Information, Scrutiny, Partnerships, Legal & Democratic Services.

## **Issues**

12. Audit Committee are sighting the AGS prior to year end, therefore there are a number of gaps in the statement as much of the final drafting takes place after the financial year end. Appendix C informs the Committee of the structure of the draft AGS, which will be developed over the coming months to form conclusions to be incorporated within the draft Statement of Accounts. The AGS is split in two parts; firstly, a reflection of the good governance principles and then a review of effectiveness of the Council's governance arrangements.

13. Following year end the review of effectiveness will be completed when all sources of information are readily available. Sources which will be relied upon which are detailed in the sources of assurance noted at appendix A.

#### **Legal Implications**

14. There are no legal implications arising directly from the contents of this report.

#### **Financial Implications**

15. There are no direct financial implications arising from this report.

#### **Recommendation**

16. The Audit Committee considers the content of the draft Annual Governance Statement 2014/15, mindful that certain sections cannot be completed until year end.
17. The Committee reinforces the requirement for all Directors to complete a Senior Management Assurance Statement at the year end position 2014/15 in order for the draft Annual Governance Statement to be finalised.
18. Members of the Committee agree that once the Audit Committee's Annual Report is drafted that the opinion contained within informs the Annual Governance Statement, both of which will be presented to the Committee in June.

#### **CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

**Appendix A** – Sources of Assurance to inform the Annual Governance Statement

**Appendix B** – Senior Management Assurance Statement

**Appendix C** – Draft Annual Governance Statement 2014/15