

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 20 November 2014
Report of: Corporate Governance Group
Title: Annual Governance Statement (AGS) Update
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 The purpose of this report is to provide assurance that the Annual Governance Statement (AGS) is underpinned by an appropriate framework of assurance and to allow the Committee to monitor the implementation of actions to improve governance arrangements and respond to emerging issues.
- 1.2 The report also informs the Committee of a number of recent developments in governance, risk management and audit arrangements whilst describing what impact the changes have had on the Work Plan.

2.0 Recommendation

- 2.1 That the Committee:
- (i) consider and endorse the process for the production of the 2014/15 AGS;
 - (ii) note the progress in relation the implementation of actions to improve governance arrangements and respond to emerging issues;
 - (iii) note the changes to governance, risk management and audit arrangements and the impact on the Work Plan.

3.0 Reasons for Recommendation

- 3.1 Legislation requires local authorities to prepare an AGS and to report publicly on the effectiveness of governance and control. The Audit and Governance Committee is responsible for reviewing and then approving the AGS prior to being signed by the Leader of the Council and the Chief Executive.

3.2 In accordance with best practice the Audit and Governance Committee should undertake a number of activities to discharge its responsibilities in relation to the AGS including:

- ensuring that the AGS is underpinned by a framework of assurance
- monitoring the implementation of action plans or recommendations to improve governance arrangements
- receiving reports and assurances over changes to the governance framework and control environment as they are established

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

7.1 In reviewing assurance arrangements, the Committee should bear in mind that the assurance process has a cost to the Organisation and it should therefore be proportional to the risk.

7.2 The production of the AGS is designed to align with the production of the Council's Financial Statements (draft by end of June) and will be published alongside the audited accounts (approved by the end of September).

8.0 Legal Implications (Authorised by the Head of Legal Services)

8.1 The production of the AGS is required by the Accounts and Audit (England) Regulations 2011 and the process outlined is designed to meet this obligation.

9.0 Risk Assessment

9.1 An assurance framework that does not support the production, approval and on-going review of the AGS and associated management actions can

result in problems with the integrity of the Council's Statement and lead to missed opportunities to strengthen the control environment and the management of risk.

10.0 Background

Production of the 2014/15 Annual Governance Statement (AGS)

10.1 Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

10.2 In order to provide assurance that:

- governance arrangements are adequate and operating effectively in practice, or
- where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.

The Council is required to:

- undertake regular, at least annual, reviews of the effectiveness of its governance framework
- consider the findings of the review at a meeting of the Authority or delegated Committee
- approve an AGS at a meeting of the Authority or delegated Committee
- publish the AGS

10.3 These requirements were introduced by the revised CIPFA/SOLACE Good Governance Framework and are necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011.

10.4 The Audit and Governance Committee has, through its terms of reference, been delegated some governance responsibilities including considering the findings of the review of the effectiveness of governance arrangements and approving the AGS. It is, therefore, considered best practice to agree the process for preparing the AGS including the framework of assurance that underpins it with Members in advance.

10.5 The review of the effectiveness of the Council's governance framework for 2014/15 will be informed by the work of Internal Audit and senior managers and also comments made by the External Auditors and other review agencies/inspectors. The sources of assurance include:

- Senior management assigned with the ownership of risks and delivery of services through the risk management process
- The Section 151 Officer and the Monitoring Officer in meeting statutory responsibilities
- Internal Audit through the annual and interim reports
- External Audit through its reports to those charged with governance
- Outcomes from other review agencies and inspectorates
- Service managers who independently sign off on the adequacy of controls within their service areas via disclosure statements
- Other internal assurance providers (ICT Security etc.) via completion of questionnaires
- Designated officers who complete AGS self-assessment questionnaires (in this way compliance with the Council's Code of Corporate Governance will be evidenced).

10.6 The AGS will be considered by the Corporate Leadership Board on an ongoing basis with work being co-ordinated by the Corporate Governance Group who will:

- Review and update the Code of Corporate Governance and governance framework
- identify systems, processes and documentation that provide evidence of compliance including:
 - agreeing content and format of Management Disclosure Statements, self- assessments and questionnaires
- identify the individuals responsible for monitoring, reviewing and providing assurance on the systems, processes and documentation identified
- consider the extent to which the Authority complies with the principles and elements of good governance set out in the CIPFA/SOLACE Framework using:
 - Self-assessment of the Organisation's performance against its Code of Corporate Governance
 - Completion of Disclosure Statements/Internal Assurance Provider questionnaires
 - Assessment of significant partnership governance arrangements (including single legal entity and alternative service delivery vehicles where applicable)
 - Self-assessment of Internal Audit against the Public Sector Internal Audit Standards
 - Assessment of the effectiveness of the Audit and Governance Committee
 - Consideration of sources of external assurance as applicable (External Audit, Ofsted, Care Quality Commission etc.)
 - Assessment of the effectiveness of mitigating actions for approved corporate risks

- Consideration of the Annual Internal Audit Opinion Report
- identify issues that have not been addressed in the Authority and consider how they should be addressed
- identify the individuals who would be responsible for undertaking the actions that are required.
- Produce the draft AGS, and co-ordinate its approval including review by Corporate Leadership Board and consideration by the Audit and Governance Committee in June 2015.

Actions that improve the Council's governance arrangements and respond to emerging issues

- 10.7 As previously reported to this Committee no significant governance issues were identified in the 2013/14 AGS. A number of governance issues requiring further attention, and several emerging issues for the Authority were, however, reported. An update on the Council's response to the emerging issues and the issues requiring further attention is included at Appendix A for consideration by Members. These issues will continue to be monitored by the Corporate Leadership Board.

Developments in governance, risk management and audit arrangements and impact on the Work Plan

- 10.8 The Corporate Governance and Risk Management Groups provide a high-level focus on risk management, control and governance arrangements. In particular they provide essential support for the production and approval of the AGS.
- 10.9 In order to strengthen the current arrangements the Head of Corporate Resources and Stewardship is currently reviewing the role and membership of the Groups to ensure that assurance is planned and delivered in an efficient and cost effective manner and more specifically that:
- there is clarity over what assurance is required;
 - responsibility for providing assurance is clearly allocated;
 - duplication is avoided; and
 - assurance of appropriate rigour and independence is provided
- 10.10 The Groups' role in helping deliver best practice that dictates governance, risk management and strong controls be embedded in the daily and regular business of the Council will also be reviewed.
- 10.11 In order to provide the necessary levels of assurance to the Council with regard to internal control and compliance and support managers in delivering change and improvement; existing internal audit, risk

management and compliance capacity is being co-ordinated and aligned. These separate teams have been unified under a single line of management, reporting to the new post of Corporate Manager Audit and Governance within the Corporate Resources and Stewardship service.

- 10.12 This has allowed the vacant position of Internal Audit Manager to be deleted along with one of the two Audit Manager posts in the current structure, releasing capacity for redeployment across the wider Corporate Resources and Stewardship service. The new Corporate Manager Audit and Governance will commence their role in December 2014 and assume responsibility for managing the internal audit activity in accordance with the Public Sector Internal Audit Standards (PSIAS) and the relevant CIPFA/IIA Application Note.
- 10.13 As part of this review the responsibility for monitoring and facilitating the implementation of effective risk management practices and reporting risk-related information up and down the organisation has recently been passed to Internal Audit.
- 10.14 In order to maintain independence and objectivity in line with the PSIAS any assurance activity in areas where the Corporate Manager Audit and Governance has operational responsibility will be carried out by auditors with no involvement in the process and overseen by the Head of Corporate Resources and Stewardship.
- 10.15 The impact of the developments in governance, risk management and audit arrangements and the time necessary for these to take effect have made it necessary to amend aspects of the Audit and Governance Committee Work Plan. Furthermore, the timing of national publications has also had an impact in relation to the evaluation and reporting on the adequacy of the Council's counter-fraud arrangements.
- 10.16 The full changes to the Work Plan are included at Appendix B.

11.0 Access to information

The background papers relating to this report can be inspected by contacting the report writer:

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