

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 8th December 2016
Report of: Corporate Assurance Group
Title: Annual Governance Statement (AGS) Update
Portfolio Holder: Councillor Peter Groves

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 Committee of the proposed production process for the 2016/17 Annual Governance Statement.

2.0 Recommendation

- 2.1 That the Committee
- (i) note the progress against the issues reported in the 2015/16 AGS, including the feedback from Corporate Assurance Group on each item;
 - (ii) consider and endorse the process for the production of the 2016/17 AGS.

3.0 Reasons for Recommendation

- 3.1 Under the Accounts and Audit Regulations (England) 2015, local authorities are required to prepare an Annual Governance Statement 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 The process of preparing the governance statement should in itself add value to the effectiveness of the Council's corporate governance and internal control framework. Good governance enables the Council to better

meet the challenges of pursuing its vision, delivering ambitious objectives against a background of continued financial pressures, by underpinning that vision with mechanisms for control and management of risk.

3.3 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 Authority and it should therefore be proportional to the risk.

7.2 The current 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 Director of Legal Services)

8.1 The production of the AGS is required by the Accounts and Audit Regulations (England) 2015 and the process outlined is designed to meet this obligation.

8.2 Under the new Regulations, the existing certification dates will be brought forward by the accounting year 2017/18. This will change the June 30 date to May 31, and the September 30 to July 31. Consultation on the future of Local Audit began in June 2014, giving three years notice to allow

authorities and auditing firms time to adjust. The production of the 2015/16 AGS has been carried out to existing timescales, as will the 2016/17 process.

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

Progress against items reported in the AGS 2015/16

- 10.1 The 2015/16 AGS reported to the Audit and Governance Committee in September 2016 included governance issues and proposed actions to be implemented.
- 10.2 A detailed update on the actions proposed to improve the Council's governance arrangements and respond to emerging issues is included at Appendix A for consideration by Members.
- 10.3 Each update has been considered by the Corporate Assurance Group. In reviewing the updates, the Group considered the assurances provided in order to determine;
- whether the required action has been completed appropriately
 - whether the issues are being sufficiently and effectively managed or
 - whether there are further issues or concerns arising.
- 10.4 The Corporate Assurance Group, with endorsement from Corporate Leadership Board, has concluded on which items should be considered as completed, and which require further monitoring. These decisions are summarised in Table 1.
- 10.5 Where items are removed from the progress update which is reported to the Audit and Governance Committee, they will still continue to be monitored through normal management processes and will be re-escalated if necessary through the ongoing AGS production and monitoring cycle.

Table 1 – Summary of Decisions

Description (Summarised)	Responsibility	Feedback to the Audit and Governance Committee:
Business Continuity Planning	Corporate Manager Governance and Audit	<i>Corporate Assurance Group has considered the update provided and recommends that this issue remains on the AGS progress update.</i>
Local Economic Partnerships	Director of Economic Growth and Prosperity in consultation with Chief Operating Officer	<i>Corporate Assurance Group has considered the update provided and recommends that this issue remains on the AGS progress update.</i>
Project Management	Chief Operating Officer	<i>Corporate Assurance Group has considered the update provided and recommends that this issue remains on the AGS progress update.</i>
New Service Delivery Models	Chief Operating Officer	<i>Corporate Assurance Group has considered the update provided and recommends that this issue remains on the AGS progress update.</i>
Information Governance	Chief Operating Officer	<i>Corporate Assurance Group has considered the update provided and recommends that as substantial and significant progress has been made in implementing actions to manage this issue have been completed, the issue will now be removed from the AGS update and monitored locally.</i>
Review of Contract Awards – Core Fit	Chief Operating Officer	<i>Corporate Assurance Group has considered the update provided and recommends that this issue remains on the AGS progress update.</i>
Closure of CoSocius Ltd	Chief Operating Officer	<i>Corporate Assurance Group has considered the update provided and recommends that as substantial and significant progress has been made in implementing actions to manage this issue have been completed, the issue will now be removed from the AGS update and monitored locally.</i>
Council Funding	Chief Operating Officer	<i>Corporate Assurance Group has considered the update provided and recommends that this issue, recognised in the last AGS as a “continuing governance issue” remains on the AGS progress update.</i>
Health and	Strategic Director of	<i>Corporate Assurance Group has</i>

Description (Summarised)	Responsibility	Feedback to the Audit and Governance Committee:
Social Care Integration	Adult Social Care and Health	<i>considered the update provided and recommends that this issue, recognised in the last AGS as a “continuing governance issue” remains on the AGS progress update.</i>

Production of the 2015/16 Annual Governance Statement (AGS)

10.6 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

10.7 These requirements were introduced by the revised CIPFA/SOLACE Good Governance Framework (2012) and are necessary to meet the statutory requirement initially set out in the Accounts and Audit (England) Regulations 2011 and now in the Accounts and Audit (England) Regulations 2015.

10.8 The 2016/17 AGS will be prepared in line with the requirements of updated CIPFA/SOLACE guidance; the *Delivering Good Governance in Local Government* framework and against a revised Code of Corporate Governance. These are the subject of a report elsewhere on the Committee’s agenda.

10.9 The Audit and Governance Committee has, through its terms of reference, been delegated some governance responsibilities. These include considering the findings from reviewing the effectiveness of the Council’s governance arrangements and approving the AGS. It is considered good

practice to agree the process for preparing the AGS, including the framework of assurance that underpins it, with Members in advance.

10.10 The review of the effectiveness of the Council's governance framework for 2016/17 2015/16 will be informed by the work of Internal Audit, senior managers and comments made by the External Auditors and other review agencies/inspectorates. The sources of assurance include, but are not limited to:

- 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).

10.11 The AGS will be considered by the Corporate Leadership Team on an ongoing basis with work being co-ordinated by the Corporate Assurance Group who will:

- review and update the Code of Corporate Governance and governance framework as necessary
- 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 Council 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 delivery partner governance arrangements

- 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 Council and consider how they should be addressed, including items reported in previous Annual Governance Statements
- 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 Team and consideration by the Audit and Governance Committee in June 2016.

11.0 Access to information

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

Name: Peter Bates

Designation: Chief Operating Officer

Tel No: 01270 686013

Email: Peter.Bates@cheshireeast.gov.uk