

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 7th December 2017
Report of: Corporate Assurance Group
Title: Annual Governance Statement (AGS) Update
Portfolio Holder: Cllr Rachel Bailey

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 2017/18 Annual Governance Statement.

2.0 Recommendation

- 2.1 That the Committee
- (i) Note and endorse the progress and feedback provided on the issues reported in the 2016/17 AGS, including the recommendation to the Committee on whether items remain on the Annual Governance Statement ;
 - (ii) consider and endorse the process for the production of the 2017/18 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

- 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, which for 2017/18 will require a draft Statement by May 31st and a final approved by July 31st to be published alongside the audited accounts.

8.0 Legal Implications

- 8.1 The production of the AGS is required by the Accounts and Audit Regulations 2015 and the process outlined is designed to meet this obligation.
- 8.2 Under the new Regulations, the existing certification dates are brought Local Audit began in June 2014, giving three years notice to allow

authorities and auditing firms time to adjust. The 2017/18 process will be fully aligned to the new requirements.

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 2016/17

- 10.1 The 2016/17 AGS reported to, and approved by the Audit and Governance Committee in September 2017 included progress against previously reported governance issues, the recognition of a number of significant governance issues arising from 2016/17 and relevant proposed actions for implementation.
- 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 provided by the relevant responsible officer. In providing the updates, they have considered the assurance provided in the update 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 These recommendations, with endorsement from Corporate Leadership Team, are summarised in Table 1, with a recommendation to the Committee on which items should be considered as completed or managed, and can be monitored via local monitoring arrangements and which require further monitoring via the Annual Governance Statement.
- 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 in some cases via reports to other Committees. These items can and will be re-escalated if necessary through the ongoing AGS production and monitoring cycle.

Table 1 – Summary of Recommendations

Description (Summarised)	Responsibility	Recommendation to the Audit and Governance Committee:
Business Continuity Planning	Acting Director of Legal Services	<i>That this issue remains on the AGS progress update.</i>
Local Economic Partnerships	Executive Director of Place	<i>That this issue remains on the AGS progress update.</i>
Project Management	Chief Operating Officer	<i>As substantial progress has been made in implementing actions, the issue can now be removed from the AGS update and monitored locally.</i>
New Service Delivery Models	Chief Operating Officer	<i>That this issue remains on the AGS progress update</i>
Review of Contract Awards – Core Fit	Director of Finance and Procurement	<i>That this issue remains on the AGS progress update</i>
Council Funding	Director of Finance and Procurement	<i>That this issue, recognised in the AGS as a “continuing governance issue” remains on the AGS progress update.</i>
Health and Social Care Integration	Acting Executive Director of People	<i>That this issue, recognised in the AGS as a “continuing governance issue” remains on the AGS progress update.</i>
Air Quality Data	Executive Director of Place	<i>As substantial progress has been made in implementing actions, the issue can now be removed from the AGS update and monitored locally.</i>
Designated Statutory Officers/Investigation and Disciplinary Committee	Acting Chief Executive	<i>That this issue remains on the AGS progress update</i>
Berkley Academy Car Park	Executive Director of Place	<i>That this issue remains on the AGS progress update</i>
Sleep In Arrangements	Acting Executive Director People, COO, and Head of Strategic HR.	<i>That this issue remains on the AGS progress update</i>
Land Purchases	Internal Audit, reporting to the Acting Chief Executive.	<i>That this issue remains on the AGS progress update</i>

Production of the 2017/18 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 Regulations 2015.

10.8 The 2017/18 AGS will be prepared in line with the requirements of updated CIPFA/SOLACE guidance; the *Delivering Good Governance in Local Government* framework and against the Council's Code of Corporate Governance.

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 2017/18 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 May 2018.

11.0 Access to information

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

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