

Audit & Governance Committee

Date of Meeting: 06 December 2018

Report Title: Annual Governance Statement (AGS) and Code of Corporate Governance Review

Senior Officer: Mark Taylor, Interim Executive Director of Corporate Services

1. Report Summary

- 1.1. The purpose of this report is to provide assurance that the Annual Governance Statement is underpinned by an appropriate framework of assurance and to allow the Committee to monitor the implementation of actions identified in the 2017/18 Statement in order to improve governance arrangements and to respond to emerging issues.
- 1.2. The report also informs the Committee of the proposed production process for the 2018/19 Annual Governance Statement, and the proposals for reviewing the Council's Code of Corporate Governance as part of the Governance Workstream in the Council's Whole Organisation Transformation Programme.

2. Recommendations

- 2.1. That the Committee
 - Note and endorse the updates provided on the issues reported in the 2017/18 AGS, including the recommendations to the Committee on whether items remain in the Statement.
 - Consider and endorse the process for the production of the 2018/19 AGS, including the proposals for reviewing the Code of Corporate Governance.

3. Reasons for Recommendations

- 3.1. Under the Accounts and Audit Regulations 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; this includes reviewing the Council's Code of Corporate Governance.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

Progress against items reported in the AGS

- 5.1. The 2017/18 AGS approved by the Audit and Governance Committee in July 2018 included updated details of previously reported governance issues, as well as a number of significant governance issues recognised for 2017/18 and relevant proposed actions for implementation.
- 5.2. A detailed update on progress since July in implementing the actions proposed is included at Appendix A for consideration by Members.
- 5.3. 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 and whether there are further issues or concerns arising.

- 5.4. 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.
- 5.5. Where items are removed from the Annual Governance Statement and progress updates 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: Recommendations summary

Description (Summarised)	Responsibility	Recommendation to the Audit and Governance Committee
Business Continuity Planning	Interim Executive Director of Corporate Services	<i>That this issue remains on the AGS progress update.</i>
Local Enterprise Partnerships	Executive Director of Place	<i>That this issue remains on the AGS progress update.</i>
Alternative Service Delivery Models	Executive Director of Place	<i>As substantial progress, detailed in Appendix A, has been made in implementing actions, the issue can now be removed from the AGS update and monitored locally.</i>
Review of Contract Awards re Core Fit	Interim Executive Director of Corporate Services	<i>As substantial progress, detailed in Appendix A, has been made in implementing actions, the issue can now be removed from the AGS update and monitored locally.</i>
Council Funding	Section 151 Officer	<i>That this issue, recognised in the AGS as a “continuing governance issue” remains on the AGS progress update.</i>
Health and Social Care Intergration	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>
Berkeley Academy Car	Executive Director	<i>As substantial progress,</i>

Park	of Place	<i>detailed in Appendix A, has been made in implementing actions, the issue can now be removed from the AGS update and monitored locally.</i>
Sleep in arrangements	Acting Executive Director People; Interim Executive Director of Corporate Services and Head of Strategic HR	<i>As substantial progress, detailed in Appendix A, 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>
Land Purchases	Internal Audit, reporting to the Acting Chief Executive	<i>That this issue remains on the AGS progress update.</i>
Holiday Pay	Head of Strategic HR	<i>That this issue remains on the AGS progress update.</i>
Chief Inspector of Weights and Measures	Executive Director Place and Acting Deputy Chief Executive	<i>That as detailed in Appendix A, the review has been completed, the matter should be removed from the AGS progress update.</i>
Bullying and Culture Review	Acting Chief Executive	<i>As substantial progress, detailed in Appendix A, has been made in implementing actions, the issue can now be removed from the AGS update and monitored locally.</i>
Data Protection Breach	Acting Chief Executive	<i>That this issue remains on the AGS progress update.</i>

Code of Corporate Governance Review

- 5.6. The Council's Code of Corporate Governance was first approved by the Governance and Constitution Committee in November 2009 and has been reviewed and updated to reflect best practice and organisational changes over time. The Council's Codes have been consistent with the principles of the various CIPFA/SOLACE Frameworks. Cabinet approved a revised Code of Corporate Governance in January 2017, which was in line with the

revised guidance set out by CIPFA issued in 2016; *Delivering Good Governance in Local Government*.

- 5.7. The Council's Code of Corporate Governance articulates the expected standards, principles and values by which Cheshire East Council Officers and Members will operate. There should be clear links between the principles of the Code, and the governance framework of strategies, policies and procedures which underpin the Code.
- 5.8. Progress on the review of the Council's Code and any changes to the proposed Code will be reported back to this Committee. The proposed Code will need to be formally adopted by Cabinet.
- 5.9. It is proposed that the 2018/19 Annual Governance Statement will be carried out against the principles identified in the current Code of Corporate governance, as this will have been in place for the majority of the period in review.

Preparation of the 2018/19 Annual Governance Statement

- 5.10. 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 and publish the AGS.
- 5.11. The 2018/19 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.
- 5.12. The Audit and Governance Committee has, through its terms of reference, been delegated specific 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.
- 5.13. 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/inspectors. 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 inspectors;
- 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.

5.14. 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 the Corporate Leadership Team, signing by the Leader and Chief Executive and consideration by the Audit and Governance Committee in May 2019, for approval in July 2019.

6. Implications of the Recommendations

6.1. Legal Implications

- The Council must adopt a Code of Corporate Governance which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement (AGS). The best practice guidance is recognised as the CIPFA Framework Delivering Good Governance in Local Government (2016).
- The AGS is used by the Council to report publically on the extent to which the Council has complied with its adopted Code, which is a requirement of the Accounts and Audit Regulations 2015. The process outlined is designed to meet this obligation

6.2. Finance Implications

- 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.

- The production of the AGS is designed to align with the production of the Council's Financial Statements. For 2018/19 this requires a draft Statement to be published by May 31st and a final approved Statement by July 31st, published alongside the audited accounts.

6.3. Policy Implications

- There are no specific policy implications.

6.4. Equality Implications

- There are no specific equality implications.

6.5. Human Resources Implications

- There are no specific human resources implications.

6.6. Risk Management Implications

- The Authority is required to prepare and publish an Annual Governance Statement to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit England Regulations 2015. Failure to do so could result in non-compliance with the requirements of the Regulations.

6.7. Rural Communities Implications

- There are no direct implications for rural communities.

6.8. Implications for Children & Young People

- There are no direct implications for children and young people.

6.9. Public Health Implications

- There are no direct implications for public health.

7. Ward Members Affected

- 7.1. Not applicable.

8. Access to Information

- 8.1. [Cheshire East Council Annual Governance Statement 2017/18](#)

- 8.2. [Cheshire East Council – Code of Corporate Governance](#)

9. Contact Information

9.1. Any questions relating to this report should be directed to the following officer:

Name: Josie Griffiths

Job Title: Principal Auditor

Email: josie.griffiths@cheshireeast.gov.uk