

Audit and Governance Committee

Date of Meeting: 5th December 2019

Report Title: Annual Governance Statement 2018/19 – Progress Update

Senior Officer: Jan Bakewell, Director of Governance and Compliance Services

1. 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 identified in the 2018/19 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 2019/20 Annual Governance Statement.

2. Recommendations

- 2.1. That the Committee
 - 2.1.1. Note and endorse the updates provided on the issues reported in the 2018/19 AGS, including the recommendations to the Committee on whether items remain in the Statement.
 - 2.1.2. Consider and endorse the process for the production of the 2019/20 AGS.

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

4. Options Considered

- 4.1. Not applicable.

5. Background

Progress against items reported in the AGS

- 5.1. The 2018/19 AGS approved by the Audit and Governance Committee in July 2019 included updated details of previously reported governance issues, as well as a number of significant governance issues recognised for 2018/149 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: Summary of recommendations

AGS Item	Responsibility	Recommendation to the Committee
Business Continuity Planning	Head of Audit and Risk	To note progress, but for the item to remain on the AGS progress update.
Council Funding	Director of Finance and Customer Services	To note progress, but for the item to remain on the AGS progress update.
Health and Social Care Integration	Acting Executive Director of People	To note progress, but for the item to remain on the AGS progress update.
Consolidated Findings report by Internal Audit re Asset Transactions	Internal Audit reporting to the Acting Chief Executive	As there has been significant progress in this area, it is recommended that this item is removed from the Annual Governance System. Future monitoring of compliance in this area will be undertaken by the Executive Director of Place and reported to Corporate Leadership Team. Follow up on actions identified within the Internal Audit report will be undertaken in line with Internal Audit's follow up policy and reported as part of the regular updates to Audit and Governance Committee.
Holiday Pay	Head of HR	It is now recommended this item is removed from the AGS due

AGS Item	Responsibility	Recommendation to the Committee
		to significant progress being made and that plans are in place with regular reports to CLT. The risk register will be updated and included in service plan to reflect this current position.
Proposed change to the Committee system of Governance	Acting Chief Executive	To note progress, but for the item to remain on the AGS progress update.
Replacement of the Council's Core Financial Systems	Executive Director of Place and Acting Deputy Chief Executive.	To note progress, but for the item to remain on the AGS progress update.

Preparation of the 2019/20 Annual Governance Statement

- 5.6. The Council is required to undertake regular, at least annual, reviews of the effectiveness of its governance framework to provide assurance that governance arrangements are adequate and operating effectively in practice, or, that where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.
- 5.7. The findings of this review should be considered at a meeting of the Authority or by a delegated Committee. The AGS should be approved at a meeting of the Authority or delegated Committee and then published.
- 5.8. 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.
- 5.9. 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.

5.10. The 2019/20 AGS will be prepared in line with the requirements of the CIPFA/SOLACE guidance; the *Delivering Good Governance in Local Government* framework and against the Council's Code of Corporate Governance.

5.11. The review of the effectiveness of the Council's governance framework for 2018/19 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:

5.11.1. Senior management assigned with the ownership of risks and delivery of services through the risk management process;

5.11.2. The Section 151 Officer and the Monitoring Officer in meeting statutory responsibilities;

5.11.3. Internal Audit through the annual and interim reports;

5.11.4. External Audit through its reports to those charged with governance;

5.11.5. Outcomes from other review agencies and inspectorates;

5.11.6. Service managers who independently sign off on the adequacy of controls within their service areas via disclosure statements;

5.11.7. Other internal assurance providers (ICT Security etc.) via completion of questionnaires;

5.11.8. Designated officers who complete AGS self-assessment questionnaires; in this way compliance with the Council's Code of Corporate Governance will be evidenced.

5.12. The drafting of the AGS will be considered by the Corporate Leadership Team on an ongoing basis with the draft being informed by the following activities;

5.12.1. review and update of the Code of Corporate Governance and governance framework as necessary

5.12.2. identifying the systems, processes and documentation that provide evidence of compliance:

5.12.3. content and format of Management Disclosure Statements, self-assessments and questionnaires

- 5.12.4. identifying the individuals responsible for monitoring, reviewing and providing assurance on the systems, processes and documentation identified
- 5.12.5. considering 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
- 5.12.6. identifying issues that have not been addressed in the Council and consider how they should be addressed, including items reported in previous Annual Governance Statements
- 5.12.7. identifying the individuals who would be responsible for undertaking the actions that are required.
- 5.12.8. producing 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 2020, for approval in July 2020 alongside the Statement of Accounts.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. 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).

6.1.2. 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*.

6.1.3. 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

6.2.1. 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.

6.2.2. The production of the AGS is designed to align with the production of the Council's Financial Statements. For 2019/20, this requires a draft Statement to be published by May 31st and a final approved Statement by July 31st, published alongside the audited accounts.

6.2.3. There are no adjustments required to the Medium Term Financial Strategy as a result of this report.

6.3. Policy Implications

6.3.1. There are no specific policy implications.

6.4. Equality Implications

6.4.1. There are no specific equality implications.

6.5. Human Resources Implications

6.5.1. There are no specific human resources implications.

6.6. Risk Management Implications

6.6.1. 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

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People/Cared for Children

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

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no climate change implications.

7. Ward Members Affected

7.1. Not applicable

8. Access to Information

8.1. Cheshire East Council Annual Governance Statement 2018/19

9. Contact Information

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

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