

**Cheltenham Borough Council
Audit Committee – 18 June 2014
Annual Governance Statement**

Accountable member	Councillor Jon Walklett - Cabinet Member Corporate Services
Accountable officer	Mark Sheldon - Director of Resources
Ward(s) affected	None
Key Decision	No
Executive summary	<p>The Council has a statutory duty to prepare an Annual Governance Statement (AGS) (appendix 2) to be approved as part of the annual statement of accounts</p> <p>The AGS is for the period 1st April 2013 to 31st March 2014 and indicates how the Council is complying with its Code Of Corporate Governance including the internal control arrangements and management of risk.</p> <p>The Audit Committee needs to satisfy itself that the AGS fairly reflects the arrangements within the Council, and that the suggested action plan will address the significant governance issues identified by the review.</p>
Recommendations	<ol style="list-style-type: none"> 1. The Audit Committee approve the AGS so that it is included within the statement of accounts, and 2. Recommend to the Leader and Chief Executive Officer that they sign the AGS,

Financial implications	<p>None arising from this report.</p> <p>Contact officer: Mark Sheldon</p> <p>Email: mark.sheldon@cheltenham.gov.uk Tel; 01242 264123</p>
Legal implications	<p>The Statutory context for the Annual governance Statement is as set out in the report there are no other legal implications arising from the recommendations</p> <p>Contact officer: Sara Freckleton</p> <p>Email; Sara.Freckleton@tewkesbury.gov.uk</p> <p>Tel. 01684 272011</p>

HR implications (including learning and organisational development)	Compliance with corporate governance arrangements requires a significant amount of time by both officers and members. Capacity must be kept under review and where significant governance issues occur additional resource to be sourced. Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 26355
Property/Asset Implications	None arising from this report Contact officer: David Roberts@cheltenham.gov.uk
Key risks	If the Council fails to have an effective review of its governance arrangements especially during a period when it is continually modernising and improving its services then there is a risk that it will not maintain its good conduct and high ethical standards.
Corporate and community plan Implications	Good governance helps to deliver the Councils aspirations to be an excellent, efficient and sustainable Council. It also ensures that risks are identified and managed to protect its assets and workforce.
Environmental and climate change implications	None

1. Background

- 1.1 The Accounts and Audit (England) Regulations 2011 regulation 4 requires council's to conduct an annual review of the effectiveness of their system of internal control, including the arrangements for the management of risk. Following the review the Council must approve an Annual Governance Statement (AGS).
- 1.2 This AGS should be prepared and included as part of the Financial Statements; and that the AGS be authorised by the Leader of the Council and Chief Executive
- 1.3 A draft AGS for the 2013/14 financial year relating to the governance of the Council is attached at Appendix 1. It has been drawn up with regard to the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (SORP). It also has regard to guidance issued by CIPFA/SOLACE in its publication 'Delivering Good Governance in Local Government including its 2012 addendum' and the Council's Code of Corporate Governance.
- 1.4 The AGS highlights where progress has been made in reducing risks within the Council over the period 2013/14 and also highlights where further work is planned in 2014/15 to reduce risk further. This included a review of the Risk management Policy and its approval in March 2014 by the Audit Committee. The ICTSS shared Service also adopted a new process for the identification of threats and risks to its ICT systems and PSN network that complies with HMG Standard Assurance methodology.
- 1.5 It also highlights how the Council

- focused on its purpose and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
- members and officers worked together to achieve a common purpose with clearly defined functions and roles.
- promoted its values and demonstrated the values of good governance through behaviour.
- took informed and transparent decisions which are subject to effective scrutiny and managing risk.
- developed its capacity and capability of Members and officers to be effective.
- engaged with local people and other stakeholders to ensure robust public accountability
- delivered of services and outcomes through third parties

1.6 The 2013/4 Annual Review

- 1.7** Each March, assurance statements and evidence tables are issued to the Executive Directors and Directors for completion. The evidence tables act as internal control checklists which confirm/review the existence and adequacy of governance and control arrangements, and any significant absence of, or weakness in, the control. The areas covered by the checklist are not exhaustive and any other significant weaknesses must be reported in the Certificate of Assurance. Executive Directors and Directors have the responsibility for the completion of the Certificates.
- 1.8** The AGS is a statement regarding the review of governance that has taken place and a description of the governance frameworks that have been put in place such as the work of the Audit Committee,
- 1.9** Once complete, the evidence tables and the Certificates are reviewed by the Director of Resources, Audit Cotswolds Head of Internal Audit and the Governance, Risk and Compliance Officer to identify any governance or control improvements which should be included in the action plan for the forthcoming year. They also draw on evidence from internal and external audit reports, and other relevant evidence. The AGS is considered by the Senior Leadership Team and the Corporate Governance Group before it is submitted to this committee ahead of its for approval as part of the process for preparation of the Statement of Accounts.
- 1.10** The process has identified a number of control issues, and these are highlighted in the AGS. Officers will work with the respective Directors to produce an action plan with key milestones which address these issues. The corporate governance group will monitor progress and will report back to the audit committee.
- 1.11** In 2010, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its *Statement on the Role of the Chief Financial Officer (Section 151 officer) in Local Government* (the Statement). The Statement sets out how the Chief Financial Officer (CFO) should fulfil the requirements of legislation and professional standards in carrying out their role. It also sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. This includes the principle that the CFO is a key member of the leadership team.
- 1.12** In December 2013 the Audit Commission published a report stating that that our External Auditors had found that we had not met this requirement of the Local Authority Code as we did not include the relevant disclosure in our AGS. This was reported to the Audit Committee in January 2014.
- 1.13** The AGS for 2013 – 14 includes the following statement which should address this ;

The Council is able to confirm that it conforms to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Section 151 Officer is qualified and a substantially and suitably experienced accountant, who is responsible for the proper administration of the Council's financial affairs and for ensuring the

lawfulness and financial prudence of financial transactions. The s151 Officer is a member of the Executive Board and Senior Leadership Team with responsibility for: leading and advising on the strategic financial decisions impacting on the Council's delivery of its objectives; ensuring continuing effective financial controls and risk management; management of the Corporate Finance function, which is appropriately resourced with professionally qualified management.

2. Reasons for recommendations

2.1 The AGS will form part of the Annual Statement of Accounts that will be considered by the Audit Committee for approval on the 24th September 2014.

3. Alternative options considered

3.1 None

4. Consultation and feedback

4.1 The results of the annual assurance review have been considered by the Senior Leadership Team and the Corporate Governance Group.

5. Performance management –monitoring and review

5.1 A monitoring report will be brought to Audit Committee in January 2015

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Appendices	1. Risk Assessment 2. Annual Governance Statement
Background information	1. None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Audit Committee fails to recommend the approval of an Annual Governance Statement then it could delay the publishing of the Councils annual accounts.	Director of Corporate Resources	18/6/2014	3	2	6	Reduce	Prepare an Annual governance Statement based upon the review of its governance framework	18/6/2014	Corporate Governance, Risk and Compliance officer	
<p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											