

**Cheltenham Borough Council
Audit Committee – 17 June 2015
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 2014 to 31st March 2015 and indicates how the Council is complying with the Accounts and Audit (England) Regulations 2011 regulation 4 and 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. That 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 directly from this report.</p> <p>Contact officer: Mark Sheldon</p> <p>Email: mark.sheldon@cheltenham.gov.uk Tel; 01242 264123</p>
Legal implications	<p>None arising directly from this report.</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)	The HR implications are as outlined in the Annual Governance Statement for the financial year 2014/2015 Contact officer: Carmel Togher Email: carmel.togher@cheltenham.gov.uk Tel: 01242 775215
Key risks	<p>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.</p>
Corporate and community plan Implications	<p>Good governance helps to deliver the Council's aspirations to be an excellent, efficient and sustainable Council. It also ensures that risks are identified and managed to protect its assets and workforce.</p>
Environmental and climate change implications	<p>None</p>

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 be included as part of the Financial Statements; and that it be authorised by the Leader of the Council and Chief Executive
- 1.3 A draft AGS for the 2014/15 financial year relating to the governance of the Council is attached at Appendix 2. 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 2014/15 or where further work is planned in 2015/16. This included a review of the Code of Corporate Governance which was approved in March 2015 by the Audit Committee.
- 1.5 The Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (December 2012).
- 1.6 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 1.7 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies,

aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cheltenham Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

1.8 The Audit Committee reviewed the council's Risk Management policy which was approved by Cabinet in March 2015.

1.9 The 2014/5 Annual Review of Effectiveness

1.10 Every local authority has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

1.11 Each March, assurance statements and evidence tables are issued to the Executive 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.

1.12 In addition to the Executive Directors review, Client officers also undertake a review for the services provided by Cheltenham Borough Homes, GO shared Service, ICT Shared Service, OneLegal, The Cheltenham Trust, and UBICO. The outcome of these reviews is discussed by the Client officer with the Executive Director responsible for the commissioning. If necessary an action plan is agreed with the service provider to address any weakness, the commissioner then signs an assurance statement.

1.13 Once complete, the evidence tables and the certificates are reviewed by 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 significant issues action plan (appendix 3) for the forthcoming year. They also draw on evidence from internal and external audit reports, and other relevant evidence including external reviews. 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.

1.14 The AGS is a high level statement regarding the review of governance that has been undertaken and a description of the governance frameworks in place such as the work of the Audit Committee, internal and external audits and external reviews,

1.15 The review of effectiveness identified a number of control issues, and these are highlighted in the AGS action plan which will be addressed by the respective Directors and Service. The Corporate Governance Group will monitor progress and will report back to the Audit Committee.

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 23rd September 2015.

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 2016.

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Annual Governance Statement3. Significant Issues Action Plan
Background information	<ol style="list-style-type: none">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	17/6/2015	3	2	6	Reduce	Prepare an Annual governance Statement based upon the review of its governance framework	18/6/2015	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>											