

**Cheltenham Borough Council**  
**Audit Committee – 18 April 2018**  
**Draft Annual Governance Statement**

<b>Accountable member</b>	<b>Cabinet Member Corporate Services, Councillor Roger Whyborn</b>
<b>Accountable officer</b>	<b>Pat Pratley, Chief Executive</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Significant Decision</b>	<b>No</b>
<b>Executive summary</b>	<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 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 and indicates how the Council is meeting the requirements of the Accounts and Audit (Amendment) (England) Regulations 2011 and, from 1<sup>st</sup> April 2015 the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Annual Governance.</p> <p>In addition to this CIPFA issued a ‘Statement on the Role of the Chief Financial Officer in Local Government (2015)’. The Annual Governance Statement reflects compliance with the CIPFA statement for reporting purposes.</p> <p>The CIPFA / SOLACE Guidance was amended for Annual Governance Statements produced for the year ended 31<sup>st</sup> March 2017, this AGS has been updated to reflect the new best practice framework.</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> <p>Due to the change in the completion of the Annual Statement of Accounts, a Draft AGS is being brought to this Committee for consideration and comment.</p> <p>Section 5 of the AGS hasn’t been completed due to timings, This will be completed following the completion of the Internal Audit Annual Plan 2017/18 and the finalisation of the Internal Audit Opinion. The final AGS which will come to this Committee in July 2018 for approval.</p>
<b>Recommendations</b>	<b>1. That the Audit Committee consider the Draft AGS and make comment as necessary</b>

<b>Financial implications</b>	<p><b>There are no financial implications arising from the report</b></p> <p><b>Contact officer: Sarah Didcote, GOSS Business Partner Manager</b>  <a href="mailto:sarah.didcote@cheltenham.gov.uk">sarah.didcote@cheltenham.gov.uk</a>, 01242 264125</p>
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<b>Legal implications</b>	<b>None specific arising from the report recommendation</b>  <b>Contact officer: Peter Lewis, Head of Legal Services, One Legal</b> <b><a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a>, 01684 272012</b>
<b>HR implications (including learning and organisational development)</b>	<b>There are no direct HR implications arising from the content of the report.</b>  <b>Contact officer: Carmel Togher, HR Business Partner</b> <b><a href="mailto:Carmel.togher@cheltenham.gov.uk">Carmel.togher@cheltenham.gov.uk</a>, 01242 775215</b>
<b>Key risks</b>	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.
<b>Corporate and community plan Implications</b>	Good governance helps to deliver the Council aspirations to be an excellent, efficient and sustainable Council. It also ensures that risks are identified and managed to protect its assets and workforce.
<b>Environmental and climate change implications</b>	None.

## 1. Background

- 1.1 The Accounts and Audit (England) Regulations 2011 regulation 4 requires councils 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), and from 1<sup>st</sup> April 2015 the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Annual Governance.
- 1.2 The AGS should be prepared and included as part of the Annual Statement of Accounts; and that it be authorised by the Leader of the Council and the Head of Paid Service.
- 1.3 A draft AGS for the 2017/18 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 2016/17. It also has regard to guidance issued by CIPFA / SOLACE framework Delivering Good Governance and the Council's Local Code of Corporate Governance.
- 1.4 The AGS highlights where progress has been made in reducing risks within the Council over the period 2017/18 or where further work is planned for 2018/19.
- 1.5 The Local Code of Corporate Governance was approved by this committee in March 2017 and is consistent with the principles of the CIPFA / SOLACE framework Delivering Good Governance (2016).
- 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 manage 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 is due to review, and approve, the Council's Risk Management Policy at this meeting.

### **1.9 The 2017/18 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 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 Directors review, Client Officers also undertake a review for services provided by Cheltenham Borough Homes, GO Shared Services, Publica, ICT Shared Services, OneLegal, The Cheltenham Trust and Ubico Ltd. The outcome of these reviews is discussed by the Client Officer with the Director responsible for the commissioning of the service. 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 to identify any governance or control improvements which should be included in the significant issues action plan 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 approval as part of the process for the preparation of the Annual 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.

## **2. Reasons for Recommendations**

**2.1** The Final AGS will form part of the Annual Statement of Accounts that will be considered by the Audit Committee for approval on 25<sup>th</sup> July 2018. Under the CIPFA Public Sector Internal Audit Standards the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

## **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 Corporate Governance Group

## **5. Performance Management – Monitoring and Review**

**5.1** A monitoring report will be brought to Audit Committee in April 2018.

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<b>Appendices</b>	<b>Appendix 1 – DRAFT Annual Governance Statement 2017/18</b>
<b>Background information</b>	None