

AUDIT COMMITTEE	AGENDA ITEM No. 4
16 JULY 2018	PUBLIC REPORT

Report of:	Pete Carpenter, Acting Director of Corporate Resources Fiona McMillan, Interim Director of Law and Governance	
Cabinet Member responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

ANNUAL GOVERNANCE STATEMENT 2017 / 2018

R E C O M M E N D A T I O N S	
FROM : Acting Director of Corporate Resources Interim Director of Law and Governance	Deadline date : N/A
<p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> 1. Note the arrangements for compiling, reporting on and signing the Annual Governance Statement; 2. Review and comment on the Annual Governance Statement including any areas which should be amended; and 3. Subject to changes identified above, agree and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following referral from the s151 Finance Officer as part of the annual closure of accounts process and is included in the Audit Committee annual work programme.

2. PURPOSE AND REASON FOR REPORT

2.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise, but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.

2.2 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following:

- 2.2.1.14: To oversee the production of the authority’s Annual Governance Statement and to recommend its adoption; and
- 2.2.1.15: To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	–
---	-----------	---	---

4. **BACKGROUND**

4.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2017 / 2018 reporting year.

4.2 This report includes the AGS for Audit Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.

4.3 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:

- The Council's policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Its financial statements and published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

5. **ARRANGEMENTS FOR COMPILING THE ANNUAL GOVERNANCE STATEMENT**

5.1 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. The assurance gathering process to support the AGS is set out in **Appendix A**.

6. **SUPPORTING EVIDENCE**

6.1 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the City Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.

6.2 Internal Audit: Annual Internal Audit Opinion 2017 / 2018

6.2.1 The annual report from Internal Audit is elsewhere on this agenda. The key issues are:

- Internal Audit progress reports are included as part of the Committees' Work Programme and any significant control and governance issues or material to the overall control environment of the Council are highlighted;
- The Annual Audit Opinion highlighted some gaps which needed to be addressed;
- Despite some weaknesses, there remains a sound internal control environment. Reasonable assurance is provided and an unqualified opinion put in place;
- There is overall compliance with the CIPFA publication on the Role of the Head of Internal Audit together with the Public Sector Internal Audit Standards; and
- Overall, positive assurance can be provided on the service.

6.2.2 In conclusion, the Annual Audit Opinion to the Audit Committee provides a reasonable assurance on the overall standard of effective of the internal control framework. In addition, there is an effective Internal Audit in place when measured against the defined criteria as listed above.

6.3 External Audit

6.3.1 Throughout the year, Ernst and Young (EY) have undertaken works reviewing the activities of the Council. EY provides an Annual Audit Letter giving an overall evaluation of the Council. The content of the letter was reported to Cabinet and Audit Committee (November 2017) and overall is positive and states that the Council is performing well. The key messages are:

EXTRACT FROM ANNUAL AUDIT LETTER: NOVEMBER 2017	
Review Area	Commentary
Opinion on the Councils: Financial Statements	Unqualified – The financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
Opinion on the Councils: Consistency of the information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.
Reports by Exception: Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
Reports by Exception: Public interest report	We had no matters to report in the public interest.
Reports by Exception: Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
Reports by Exception: Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 13 September 2017 and presented to the Audit Committee on 25 September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 27 September 2017.

6.3.2 In conclusion, from a Peterborough City Council perspective, the Annual Audit Letter gives assurance in respect of 2016 / 2017 Financial Accounts and confirms an effective system of internal control.

6.4 Internal Control and Governance Self-Assessment

6.4.1 Internal Audit issued each Directorate with the Internal Control and Governance Self-Assessment in February 2018 and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. The areas covered within the assessment were:

- Management Arrangements;
- Health and Safety;
- Business Continuity and Emergency Resilience;
- Equality and Diversity;
- Financial Management;
- Procurement Arrangements;
- Risk Management (including Project Management);
- Performance Management and Data Quality;
- Information Governance;
- Management of People;
- Governance Arrangements, Laws, Regulations, Policies and Procedures;
- Anti-Fraud and Corruption;
- Partnership Governance;
- Communications and Customer Services; and
- Public Health.

6.4.2 Sample testing was undertaken to ensure the robustness of the data supplied. While no adverse comments were received in relation to the controls in place, a number of areas have been identified as requiring attention and these have been reflected in the Action Plan within the AGS.

6.5 Risk Management

6.5.1 Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives (the latest update to Audit Committee being in March 2018).

6.5.2 Internal changes to the monitoring and challenge of risk have been made which has increased its profile across the organisation. This positive step will take time to embed but will enable officers and the Audit Committee to place greater reliance on the arrangement to manage and mitigate risk.

6.6 Corporate Governance

6.6.1 Regular updates on governance arrangements are reported through Corporate Management Team, Cabinet, Audit Committee and ultimately to Full Council. This covers all aspects of governance – from constitutional changes, operational procedures such as Financial or Contract regulations or standards issues. Significant governance issues established in the AGS are reported to Audit Committee. With the ongoing changes across the organisation, there is a pressing need to ensure that corporate governance responsibilities are communicated to all.

6.6.2 Following analysis and verification, the AGS (**Appendix B**) reflects the key issues of the Council.

7. **CONSULTATION**

One of the key messages coming out of the CIPFA / SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements. Following drafting, the AGS was presented to Corporate Management Team for comment, challenge and update on 18 April 2018.

Following a number of amendments the attached AGS was agreed with the Acting Director of Corporate Resources and the Chief Executive on 20 May 2018. The AGS has then been included within the published draft Statement of Accounts on 29 May 2018.

8 ANTICIPATED OUTCOMES OR IMPACT

The documents are presented to the Audit Committee for review and to then advise the Leader and Chief Executive upon for sign off by the Leader and the Chief Executive for inclusion in the Statement of Accounts.

9. REASONS FOR RECOMMENDATIONS

The AGS sets out the framework for the Council and identifies some issues where action is planned to improve the level of governance.

10 ALTERNATIVE OPTIONS CONSIDERED

In line with accounting requirements the Council has to publish an Annual Governance Statement based on a prescribed format.

11 IMPLICATIONS

This report contains no specific financial implications. The agreement of the AGS does not have any direct financial implications, however, in order to maintain financial control and address risks as identified within the Statement, Directorates may need to allocate resources from within their existing budgets.

12. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

1. Delivering Good Governance in Local Government (CIPFA / SOLACE)
2. Accounts and Audit (England) Regulations 2015
3. Directors: Internal Control and Governance Self-Assessment templates

13. APPENDICES

Appendix A: Framework for the Annual Governance Statement

Appendix B: Annual Governance Statement

