

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>15 JULY 2019</b>	<b>PUBLIC REPORT</b>

Report of:	Pete Carpenter, Acting Corporate Director of Resources Fiona McMillan, Director of Law & Governance	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Acting Corporate Director of Resources	Tel. 452520

<b>ANNUAL GOVERNANCE STATEMENT 2018/19</b>
--

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> Joint report from Director of Law & Governance and Acting Corporate Director of Resources	<b>Deadline date:</b> <i>n/a</i>
Committee is asked to:	
<ol style="list-style-type: none"> <li>1. Note the arrangements for compiling, reporting on and signing the Annual Governance Statement;</li> <li>2. Review and comment on the Annual Governance Statement including any areas which should be amended; and</li> <li>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.</li> </ol>	

**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, ie its governance, by the Council 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. TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<i>n/a</i>
---	-----------	----------------------------------	------------

#### **4. BACKGROUND AND KEY ISSUES**

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 2018/19 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.

#### **4.4 ARRANGEMENTS FOR COMPILING THE ANNUAL GOVERNANCE STATEMENT (AGS)**

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the 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.

#### **4.5 SUPPORTING EVIDENCE**

Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the 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.

#### **4.6 Internal Audit: Annual Internal Audit Opinion 2018/19**

The annual report from Internal Audit is elsewhere on this agenda. There were five key issues which have been highlighted in the report as requiring attention are:

- Health and Safety / Fire Safety
- Cyber Security
- Statutory Testing
- External Organisations governance.
- Budgetary Control

There are action plans in place to address the issues identified. Subject to these being completed appropriately, the Annual Audit Opinion 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 which is in full compliance with the Public Sector Internal Audit Standards.

#### **4.7 External Audit**

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 the Audit Committee on 24 September 2018. Overall the letter is positive in nature with respect to performance of the Council. However, it notes a significant risk with regard to the budget gaps identified in the Medium Term Financial Strategy

with a requirement to develop a sustainable budget with less reliance on one-off 'saving' measures by identifying repeatable savings. The key messages are:

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 2018 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 EY's 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 4 July 2018.
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 30 August 2018.

In conclusion, from a Peterborough City Council perspective, the Annual Audit Letter gives assurance in respect of 2017/18 Financial Accounts and confirms an effective system of internal control.

#### 4.8 Internal Control and Governance Self-Assessment

Internal Audit issued each Directorate with the Internal Control and Governance Self-Assessment in March 2019 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.

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.

#### 4.9 Risk Management

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 on 11 February 2019).

#### 4.10 Corporate Governance

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 the Audit Committee. With the ongoing changes across the organisation, there is a pressing need to ensure that corporate governance responsibilities are communicated to all.

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

### 5. **CONSULTATION**

- 5.1 A key message from 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 review the AGS (Appendix B) was agreed with the Acting Director of Corporate Resources, the Monitoring Officer and the Chief Executive on 30 May 2019. The AGS has then been included within the published draft Statement of Accounts on the same day. The AGS was re-presented to Corporate Management Team for comment, challenge and update on 19 June 2019.

### 6. **ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 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.

## **7. REASON FOR THE RECOMMENDATION**

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

## **8. ALTERNATIVE OPTIONS CONSIDERED**

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

## **9. IMPLICATIONS**

### **Financial Implications**

- 9.1 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.

### **Legal Implications**

- 9.2 In accordance with the Accounts and Audit Regulations 2015, the Annual Governance Statement should be approved by members of the Council meeting as a whole, or by a committee, at the same time as the statement of accounts is approved.

### **Equalities Implications**

- 9.3 This report contains no specific equalities implications.

## **10. BACKGROUND DOCUMENTS**

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

- 10.1
- Delivering Good Governance in Local Government (CIPFA / SOLACE)
  - Accounts and Audit (England) Regulations 2015
  - Directors: Internal Control and Governance Self-Assessment templates

## **11. APPENDICES**

- 11.1 Appendix A: Framework for the Annual Governance Statement  
Appendix B: Annual Governance Statement

This page is intentionally left blank