

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 10</b>
<b>25 JULY 2022</b>	<b>PUBLIC REPORT</b>

Report of:	Cecilie Booth, Director of Resources and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Resources and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	384557

<b>DRAFT ANNUAL GOVERNANCE STATEMENT</b>
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<b>RECOMMENDATIONS</b>	
<b>FROM :</b> Director of Resources and s.151 Officer	<b>Deadline date:</b> <i>N/A</i>
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Note the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement;</li> <li>2. Review and comment on the Draft Annual Governance Statement including any areas which should be considered; 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 Director of Resources and s151 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:

2.2.1.17: To oversee the production of the authority's Statement on Control<sup>1</sup> and to recommend its adoption; and

2.2.1.18: To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

<sup>1</sup> The Terms of Reference within the Constitution refer to "Statement of Internal Control". This is incorrect and should be replaced by Annual Governance Statement (Council approval required).

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	
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### 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 2021 / 2022 reporting year. This report includes the AGS for Audit Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.

4.2 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.

### 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. The approach adopted and assurance areas are set out in **Appendix A**. From the collated information, the draft AGS is set out in **Appendix B**, progress against previous actions are set out in **Appendix C** and finally new issues to be actioned are set out in **Appendix D**.

6.2 Internal Audit: Annual Internal Audit Opinion 2021 / 2022

6.2.1 The annual report from Internal Audit is elsewhere on this agenda. Key issues which have been highlighted in the report requiring attention relate to audits completed which had limited assurance, these being:

- Cyber Security;
- Business Continuity;
- Programme and Project Management;
- Energy Management (Follow Up);

- Middleholme Project;
- Covid-19 P-Card Assurance; and
- Health Child Contract (CCC)

6.2.2 There are action plans to address 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.

### 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.

6.3.2 Due to ongoing consultation across the sector in relation to the treatment of infrastructure assets, EY have been unable to close the accounts for 2020 / 2021. Audit Committee have been provided with regular briefings as to the status of the accounts together with any issues outstanding. Members were informed of additional works which were undertaken in relation to valuations at the last Audit Committee (June 2022).

### 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 May 2022 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 questionnaire was amended to include an emphasis on a number of areas which are shared with the County. The areas covered within the assessment were:

Governance Arrangements and Legal Requirements	Partnerships
Reporting Arrangements to Members	Commissioning
Code of Conduct	Business Continuity
Financial Regulations	Health and Safety / Safeguarding
Financial Planning	Equality and Diversity
Savings Targets	Risk Management (including Project Management)
Staffing	Public Health
Information Governance	Recommendations
IT Security	Covid-19
Data Quality / Performance Management	

6.4.2 Where scores were assessed as being lower or partial compliance in key control areas, separate commentary was provided as to how these could be addressed and are reflected in the AGS Action Plan.

## 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 strategic risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives. Risk Management is overseen through a separate Risk Management Board which has representatives of all Directorates as well as specific risk specialists such as the Insurance Manager and the Chief Internal Auditor. Meetings are approximately every 6 weeks, and it is chaired by the Director of Resources. Risks at a Directorate level are discussed and a separate report produced for discussion on a monthly basis at the Corporate Leadership Team. When appropriate separate reports and training are also provided to Audit Committee.
- 6.5.2 Key financial risks for the Council are also regularly referred across all Departments as part of the monthly monitoring arrangements for the budget enabling actions to be taken to mitigate these. Similarly, the Medium Term Financial Strategy also provides details of the various risks impacting on the balanced budget. This enables Council to understand the decisions required to agree the budget.

## 6.6 Corporate Governance

- 6.6.1 Regular updates on governance arrangements are reported through Corporate Leadership 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.
- 6.6.2 Significant governance issues established in the AGS are reported to Audit Committee. Similarly, while the Council does have a Local Code of Governance this is now in need of revision / refresh to remain up to date.
- 6.6.3 During the year, separate external inspections were carried out in relation to governance and a number of improvements identified. These are coordinated through the independent Improvement Panel as well as seeing enhanced membership of the Audit Committee.

## 6.7 Financial Controls

- 6.7.1 The Council has implemented improved arrangements for managing its finances and the delivery of and realisation of savings. This is coordinated through various working groups. Regular updates on progress are fed through to the Chief Executive, Corporate Leadership Team as well as to Resources so that can be appropriately reported within budget monitoring returns. These ultimately appear as a regular item on Cabinet agendas. As part of the changes made and greater scrutiny, financial savings generated have been achieved.

## 7. **CONSULTATION**

- 7.1 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. The AGS has been circulated to the Corporate Leadership Team for discussion, amendment and approval and is fully reflected in the attached document.

## 8. **ANTICIPATED OUTCOMES OR IMPACT**

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

## **9. REASON FOR THE RECOMMENDATION**

- 9.1 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**

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

## **11. IMPLICATIONS**

### **Financial Implications**

- 11.1 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.

## **12. BACKGROUND DOCUMENTS**

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

- 12.1
- Delivering Good Governance in Local Government (CIPFA / SOLACE)
  - Accounts and Audit (England) Regulations 2015
  - Directors: Internal Control and Governance Self-Assessment templates

## **13. APPENDICES**

A: Assurance Framework

B: Draft Annual Governance Statement

C: Prior Year Actions

D: New Actions Identified

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