

# Audit and Governance Committee



Date of meeting:	22 July 2019
Title of Report:	<b>Annual Governance Statement 2018/19</b>
Lead Member:	Councillor Peter Smith (Deputy Leader)
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Julie Hosking
Contact Email:	Julie.hosking@plymouth.gov.uk
Your Reference:	SM/JH
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).

The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify action being taken or planned to address any key weaknesses identified.

The Accounts and Audit (Amendment) (England) Regulations 2006 also introduced a requirement to include an annual review of the effectiveness of the internal audit system.

This report outlines the process followed in order to produce the AGS for 2018/19 and recommends approval of the Statement prior to signature by the Leader, the Chief Executive and the Service Director for Finance (S.151 Officer).

The report also provides an opinion on the effectiveness of the internal audit system for the same period.

The proposed Statement for 2018/19 is attached to the report.

## Recommendations and Reasons

The Audit and Governance Committee is recommended to:

- a) Note the processes adopted for the production of the 2018/19 Annual Governance Statement.
- b) Endorse the adequacy and effectiveness of the system of internal audit.
- c) Approve the Annual Governance Statement, alongside the Statement of Accounts, prior to signature by the Leader, Chief Executive and Service Director for Finance (S.151 Officer).

## Alternative options considered and rejected

Not applicable.

**Relevance to the Corporate Plan and/or the Plymouth Plan**

Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

**Implications for the Medium Term Financial Plan and Resource Implications:**

None arising specifically from this report.

**Carbon Footprint (Environmental) Implications:**

None arising specifically from this report.

**Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:**

\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

The Risk and Opportunity Management [Strategy](#) specifically supports the processes which underpin the production of the Annual Governance Statement.

**Appendices**

\*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Annual Governance Statement							
B	Equalities Impact Assessment (if applicable)							

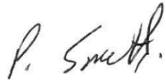
**Background papers:**

\*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7
Strategic Risk and Opportunity Register							

**Sign off:**

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Originating Senior Leadership Team member: Assistant Chief Executive											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 12/06/2019											
Cabinet Member approval: <i>[electronic signature (or typed name and statement of 'approved by email/verbally')]</i> Approved by Councillor Smith on 28/06/19   Date approved: 28/06/2019											

**1.0 Introduction**

- 1.1** This report outlines the background to the statutory requirement to produce an Annual Governance Statement (AGS) and describes the process followed in producing the AGS for 2018/19 for publication alongside the Annual Statement of Accounts.

**2.0 The Council's Statutory Responsibility**

- 2.1** Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement.
- 2.2** There is also a requirement under regulation 5(1) that relevant authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.
- 2.3** The purpose of the AGS process is to provide a continuous review of the effectiveness of an organisation's internal control and risk management, in order to give assurance as to their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.
- 2.4** The AGS is required to be approved at a committee of the Council and this sits most comfortably with Audit and Governance Committee, as its terms of reference include both internal control and risk management.
- 2.5** The proposed Annual Governance Statement for 2018/19 is attached to this report.

**3.0 Scope of the AGS**

- 3.1** The AGS spans the whole range of local authority activities and includes those controls designed to ensure:
- The authority's policies are put into practice
  - The organisation's values are met
  - Laws and regulations are complied with
  - Required processes are adhered to
  - Effective risk management processes are in place
  - Financial statements and other published information are accurate and reliable
  - Governance arrangements are in place for significant partnerships
  - Human resources and other resources are managed efficiently and effectively
- 3.2** In establishing and defining the system of internal control the AGS provides a mechanism by which the authority can maintain, review and keep up to date its control environment. It links internal audit findings, external audit and inspection reports and the risk management process and provides an effective review of the Council's risk management and control mechanisms.
- 3.3** The Council's control environment is managed through a number of core processes and procedures which are defined within the body of the AGS.
- 3.4** The AGS has been compiled by carrying out an annual review of the control environment which has involved researching and formally recognising and recording the processes already in place across the Authority.
- 3.5** Recognising that preparation of the AGS is a wide-ranging and corporate issue, a Working Group of key officers was established to oversee the process. This Group comprised:
- Oversight and Governance Manager
  - Acting Head of Legal Services
  - Audit Manager, Devon Audit Partnership
  - Head of Integrated Finance
  - Head of Financial Planning & Reporting
  - Senior Performance Advisor
  - Policy and Intelligence Advisor
  - Corporate Risk Advisor
- 3.6** The Working Group is responsible for producing the AGS which is then approved by the Corporate Management Team and the Deputy Leader of the Council prior to ratification by the Audit and Governance Committee.
- 3.7** Risk Champions from each department and members of the Performance and Risk Team were also involved in the process to support the corporate wide approach.
- 3.8** The Council's external auditors will consider the arrangements in place to enable preparation of the AGS, including the degree to which the Council recognises and can demonstrate corporate ownership of its governance arrangements.
- 4.0 The Assurance Gathering Process**
- 4.1** Those with responsibility for signing the AGS need to feel confident that the information used to review the control environment is complete and accurate. The AGS is therefore required to be signed by the most senior member and the most senior officer (i.e. the Council Leader and

the Chief Executive). It is also signed by the Service Director for Finance in his capacity as S.151 Officer.

- 4.2** Although the production of the AGS is required by the Accounts and Audit Regulations, the responsibility for securing effective internal control does not rest solely with Finance staff.
- 4.3** Preparation of the AGS has therefore involved a variety of people charged with delivering corporate governance:
- Directors, Heads of Service and managers assigned with the ownership of risk and the delivery of services
  - The Chief Financial Officer who is responsible for the accounting control systems and records and the preparation of the statement of accounts
  - The Monitoring Officer in meeting her statutory responsibilities
  - Elected Members (e.g. through Audit or Scrutiny Committees)
  - Others responsible for providing assurance (e.g. Internal Audit and Risk Management)
- 4.4** The primary source of information which informs the content of the AGS comes from Assurance Questionnaires completed by Directors, Head of Service and other senior managers covering key questions around the internal control and governance framework.
- 4.5** When completing these questionnaires respondents are asked to review a number of sources where internal control/governance weaknesses may be identified:
- Risks identified in Strategic and Operational Risk Registers
  - Issues arising from Internal Audit Reviews completed in 2018/19
  - Issues arising from external inspections
- 5.0 Code of Corporate Governance Self-Assessment/Annual Review**
- 5.1** The Council's Code of Corporate Governance Framework was reviewed and updated last year and approved by this [Committee](#) on 31 May 2018. The Code is consistent with the principles of the CIPFA/SOLACE 2016 Framework Delivering Good Governance in Local Government.
- 5.2** The framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with seven core principles of good governance.
- 5.3** Examples of the framework the Council adopts to comply with the Codes key principles are included in the AGS, as well as key delivery and improvement areas arising from the review and an accompanying assurance statement.
- 6.0 Review of Internal Audit System**
- 6.1** Continuous review of the effectiveness of the Council's internal audit system is conducted by the Audit and Governance Committee whose terms of reference include:
- To agree the annual Internal Audit Plan
  - To monitor the progress and performance of Internal Audit
  - To consider the Chief Auditor's annual report, and comment annually on the adequacy and effectiveness of internal control systems within the Council

- 6.2** The Chief Auditor's annual report is being considered at the same time as this report and invites Members to endorse the adequacy and effectiveness of the system of internal audit for the year ending 31 March 2019.
- 6.3** It is recommended that this endorsement forms part of the Annual Governance Statement for 2018/19.
- 7.0 Identifying control weaknesses significant for the purpose of the AGS**
- 7.1** Whilst there is no absolute definition of the term, the following indicators (provided by CIPFA) have been used to help in considering whether or not an issue is significant enough to be reported on in the AGS:
- The issue has the potential to seriously prejudice or prevent achievement of a principal objective;
  - The issue may result in a need to seek additional funding to allow it to be resolved;
  - The issue has the potential to result in significant diversion of resources from another aspect of the business;
  - The issue may lead to a material impact on the accounts;
  - The issue, or its impact, may attract significant interest or seriously damage the reputation of the Council;
  - The issue may result in formal action being taken by the Section 151 Officer and/or the Monitoring Officer;
  - The Audit and Governance Committee, or equivalent, has advised that it should be considered significant for this purpose, or
  - The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

## **8.0 Conclusion**

- 8.1** The attached AGS identifies the outcome of the review of the effectiveness of Plymouth City Council's governance arrangements, covering internal audit, internal control and risk management systems and also identified key delivery and improvement areas together with details of action being taken to address governance issues related to those areas.