

## **HIGH PEAK BOROUGH COUNCIL**

### **Report to the Audit & Regulatory Committee**

**14th February 2018**

<b>TITLE:</b>	<b>Annual Governance Statement - Progress against 2016/17 Action Plan</b>
<b>EXECUTIVE COUNCILLOR:</b>	<b>Councillor Emily Thrane – Executive Councillor for Finance &amp; Corporate Services</b>
<b>CONTACT OFFICER:</b>	<b>Andrew Stokes – Executive Director (Transformation) &amp; Chief Finance Officer</b>
<b>WARDS INVOLVED:</b>	<b>Non-Specific</b>

#### **Appendices Attached**

#### **Appendix 1 - Annual Governance Statement 2016-17 Action Plan Update**

#### **1. Reason for the Report**

- 1.1 Regulation 6 (1) (a) of the Accounts and Audit Regulations 2015 requires the Council to conduct a review each financial year of the effectiveness of its system of internal control and approve an Annual Governance Statement (AGS).
- 1.2 The statement needs to be prepared in accordance with proper practices in relation to accounts and must be approved in advance of the Council approving the statement of accounts. 'Proper practices in relation to accounts' relates to those accounting practices which are contained in a code of practice or other document which is identified for the purposes of this provision by regulations made by the Secretary of State. Such guidance is contained in the Chartered Institute of Public Finance & Accountancy (CIPFA) / the Society of Local Authority Chief Executives (SOLACE) framework and guidance on 'Delivering Good Governance in Local Government'.

#### **2. Recommendation**

- 2.1 That the committee note the progress information contained within this report.

#### **3. Executive Summary**

- 3.1 The production of the 2016/17 AGS was undertaken in line with CIPFA guidance. The process was co-ordinated through a Corporate Governance Management Group containing the key officers who are given ultimate

responsibility for drafting the AGS, evaluating assurances and the supporting evidence. Once the AGS has been produced it is required to be reviewed and approved by an independent review body of the Council. Councillors will recall that this was undertaken by the Audit & Regulatory Committee on 26th July 2017.

- 3.2 In essence, the AGS is the formal statement that recognises, records and publishes our governance arrangements as defined in the CIPFA/SOLACE framework 'Delivering Good Governance In Local Government'. It is also important to recognise that the purpose of the AGS is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required. This will also demonstrate to stakeholders what those arrangements are. An action plan containing all of the required actions to address identified weaknesses, including the significant issues detailed in the AGS, was therefore created.
- 3.3 Progress against the required actions is monitored by the Corporate Governance Management Group during the following financial year and details fed into the evidence gathering process for the production of the following years Annual Governance Statement. The actions identified for each issue will, if implemented, minimise the risks faced by the Council. No system of review can give full assurance that all risks have been minimised and all controls have been operating effectively throughout the year, only reasonable assurance can be given.

#### **4. How this report links to Corporate Priorities**

- 4.1 The Annual Governance Statement is the formal statement that recognises, records and publishes the Council's governance arrangements as defined in the CIPFA/SOLACE framework and therefore helps to confirm effective use of financial and other resources to ensure value for money.

#### **5. Options and Analysis**

- 5.1 There are no options to consider.

#### **6. Implications**

- 6.1 Community Safety - (Crime and Disorder Act 1998)  
None.
- 6.2 Workforce  
None.
- 6.3 Equality and Diversity/Equality Impact Assessment  
This report has been prepared in accordance with the Council's Diversity and Equality Policies.

6.4 Financial Considerations

In resolving any issues that have arisen from the outcome of the AGS, it is anticipated that corrective action will be implemented within existing budgetary provision.

6.5 Legal

Inadequacies in governance arrangements, if not addressed, pose a litigation risk. The extent and nature of such risks will vary depending on the nature and extent of the deficiency and the resulting damage/loss (if relevant). However, the suggested action to be taken to address the governance weaknesses will assist greatly in minimising the risks and potential legal implications identified.

6.6 Sustainability

None.

6.7 Internal and External Consultation

None.

6.8 Risk Assessment

None.

**ANDREW P STOKES**  
**Executive Director (Transformation) & Chief Finance Officer**

**Web Links and**

**Background Papers**

CIPFA/SOLACE Publication –  
Delivering Good Governance In Local  
Government: Framework and  
Guidance Notes for English  
Authorities 2016 Editions

**Location**

Buxton Town Hall

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## 7. Background and Introduction

7.1 The AGS is a key corporate document. The most senior officer and the most senior Councillor (the Leader) have joint responsibility as signatories for the accuracy and completeness of the AGS. The signatories need to ensure that the AGS accurately reflects the governance framework for which they are responsible. In order to achieve this they are likely to rely on many sources of assurance, such as:

- **The Chief Financial Officer and the Monitoring Officer** - the statutory functions undertaken by these two officers provide a key source of assurance that the systems and procedures of internal control that are in operation are effective, efficient and are being complied with on a routine basis. Both officers are involved in the production of the AGS.
- **Management** – Senior managers are charged with the responsibility of ensuring that policies within their service area are complied with and are held accountable for their actions/operations in delivering the service and achieving objectives. All Directors, Heads of Service and Service Managers were asked to complete and sign a Managers Assurance Statement to document the level of assurance that they could give for the internal controls in place in their service area and their effectiveness with regard to ensuring accountability, prudence, VFM, data quality, compliance with policy, Financial Regulations and Procedure Rules, Contract Procedure Rules and delivery of the Council’s objectives. In providing this assurance, Directors, Heads of Service and Service Managers were asked to identify any material issues where they consider the controls are not adequate or are absent. In providing such assurance statements it is accepted that Managers can only be expected to give reasonable assurance for their service area of activity and not a full guarantee.
- **Internal Audit** - The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” Internal Audit produces an annual report that gives a summary of its work and provides an independent and objective opinion on the authority’s activities. The annual report and the work of Internal Audit have been used to inform the AGS. A review of the effectiveness of the system of internal audit has been undertaken to ensure that reliance can be placed on the work of internal audit and its contribution to the AGS.
- **Risk Management** – the Council’s strategic risk register details those issues considered to be a risk which may prevent the Council from achieving its corporate objectives and outlines the controls in place to mitigate those risks. This source of assurance has been used to inform the AGS.

- **External Audit and Other Review Agencies** – assurance can be taken from the work of external bodies such as the Council’s external auditors. Work undertaken by the external auditors has been used to inform the Annual Governance Statement.

7.2 At the centre of the production of the 2016/17 statement is a Corporate Governance Management Group who are given ultimate responsibility for drafting the AGS, evaluating assurances and the supporting evidence and this group has been established for a number of years. Each member of the group has supplied assurances and evidence to support the various elements of the AGS and action points to address weaknesses, some of which are significant and warrant specific mention in the AGS itself, have been drawn up in an AGS Action Plan.

## **8. Progress with the Actions Identified in the AGS**

8.1 The attached AGS Action Plan (**Appendix 1**) outlines the progress made against the required actions as at the end of December 2017. The main actions that have been completed are summarised below:

- The revised Corporate Plan has been communicated to all staff through the Core Brief and ‘Keeping You Informed’ and is available on the Intranet.
- Corporate fraud policies have been updated and publicised.
- The Housing Revenue Account Business Plan Working Group has continued to implement a programme of work and has made progress in reducing the deficit on the HRA. The housing stock condition survey has recently been completed.
- A number of major refurbishments have been completed including Phase 1 of Pavilion Gardens and the Opera House, Phase 2 of Pavilion Gardens works and the Glossop Hall works are about to commence. The capital programme has been reprofiled to account for these priorities.
- In June 2017 the Executive agreed to the Council’s ownership of Alliance Environmental Services (AES) on the basis of the terms in the shareholders agreement. They further approved the Services Operating Agreement for provision of the services to the Council by the Company. The Council’s waste collection service transferred into the company in August 2017.

8.2 The actions that are still being progressed are summarised below:

- The pilot of the Report Management element of the Committee Management System will be conducted in February 2018.
- A new Procurement Strategy will be presented during 2018 and will consider ‘social value’.
- Revised Officer delegations within the Scheme of Delegation are being drafted.
- The Risk Management Strategy will be reviewed and formally approved and adopted biennially, with the next review scheduled for February 2019.

- Further work will be undertaken to develop the approach to identifying and managing corporate fraud risk to ensure compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014).
- The results of the housing stock condition survey will be used to refocus the Housing Revenue Account Business Plan.
- A strategic plan covering all of the Council's assets is continuing to be developed and implemented.
- Formal transfer of services to AES is expected to be completed by December 2018.

8.3 Councillors are requested therefore to note the content of the attached Action Plan.