

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Thursday 24 May 2018**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **ANNUAL GOVERNANCE STATEMENT**

Contact Officer: David Hogan, Head of Audit
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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for report

The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement must be prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1) (b) of the Regulations 2015 requires that for a local authority in England the statement is an Annual Governance Statement. It is also included within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. **RECOMMENDATION(S)**

1. **To comment on the 2017/18 Annual Governance Statement, attached as Appendix A.**
2. **To agree the 2017/18 Annual Governance Statement subject to any changes to the draft made as a result of recommendation one.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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Corporate Policy

1. Policy Status: Not Applicable
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £560K
 5. Source of funding: General Fund, Legal Cost Recovery
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Personnel

1. Number of staff (current and additional): 6.5 FTE (currently one FTE vacant)
 2. If from existing staff resources, number of staff hours:
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Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: Applicable
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Procurement

1. Summary of Procurement Implications: None
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A relevant to all stakeholders of the Council
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

- 3.1 The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.
- 3.2 The Council must assure itself that its internal control environment is effective. Regulation 3 of the Accounts and Audit Regulations 2015, require audited bodies to ensure that it has a sound system of internal control which:
- (a) facilitates the effectiveness of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial management and operational management of the authority is effective;
 - (c) includes effective arrangements for the management of risk.

Regulation 6 requires that each financial year, the authority must:

- (a) conduct a review of the effectiveness of the system of internal control
 - (b) Prepare an Annual Governance Statement.
- 3.3 The AGS must be prepared in accordance with proper practices as defined in the CIPFA publication “Delivering Good Governance in Local Government: Framework 2016”. The guidance outlines seven core principles of governance focusing on the systems and processes for the direction and control of the Council and its activities whereby it engages with and leads the community. There is no prescribed format.

3.4 Annual review of LB Bromley’s Governance Framework

- 3.4.1 The annual review and development of the Annual Governance Statement was undertaken by Internal Audit in consultation with the Corporate Leadership Team, and included input from the Monitoring Officer, Section 151 Officer, Democratic Services Manager and Corporate Risk Management Group.
- 3.4.2 The assurance framework sets out the sources of assurance that are relied upon on to enable preparation of the Annual Governance Statement. These include the work of Internal Audit, and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment. It also includes the comments made by the external auditors and other review agencies and inspectorates. The Head of Audit opinion set out in the internal audit annual report forms a key element of the review.

3.5 Governance Issues

- 3.5.1 As a result of our annual review we have identified the following areas where further work is required to monitor how the key risks facing the Council are being managed or where further work is required to improve systems.

3.6 Finance

- 3.6.1 The capacity to make further budget savings and maintain frontline services. The Council has set a balanced budget for 2018/19 without a detrimental impact on key services. There are savings/income generating options required for 2019/20. However, there are significant challenges for 2020/21 and beyond.

3.7 Contract Management

3.7.1 Contract issues have been identified across the organisation in the last two years which have identified the need for strengthened control and management oversight.

3.8 Performance Management

3.8.1 Further work is required to ensure a comprehensive understanding of the strengths and weaknesses of services provided; effective use of performance management information and robust quality assurance arrangements across the Council, building on the work undertaken in Children's Services.

3.9 Code of Corporate Governance

3.9.1 The Council's Code of Corporate Governance has not been updated to reflect the 2016 CIPFA guidance.

3.10 General Data Protection Regulations (GDPR)

3.10.1 Significant changes are required to ensure that the Council is compliant with the General Data Protection Regulations 2016 (GDPR) when introduced from 25th May 2018.

3.11 The above areas are highlighted because of the need for the Council to be realistic and open about those functions and activities which will require attention over the next year to ensure they are operating effectively and mitigating risks to the Council. This in turn should ensure that any future problems in those areas are averted or minimised. They also represent some of the key areas that will help the Council to deliver its key priorities.

3.12 The Annual Governance Statement is subject to audit alongside the Statement of Accounts. The auditors do not give an opinion on the statement as such, but consider whether it reflects their understanding of the Council's governance arrangements obtained through all aspects of their work. They also form a view as to whether the statement adequately discloses any significant governance issues.

3.13 Members will note the robustness by which the development of the AGS has been managed. As part of the conclusion to the process it is important that the Audit Sub-Committee provides independent consideration, challenge and approval of the document.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

None

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

None

7. PERSONNEL IMPLICATIONS

None

8. LEGAL IMPLICATIONS

- 8.1 The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement must be prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).
- 8.2 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1)(b) of the Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement. It is also included within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

9. PROCUREMENT IMPLICATIONS

None

Non-Applicable Sections:	Impact on vulnerable adults and children, policy, financial, personnel and procurement.
Background Documents: (Access via Contact Officer)	None