

SUBJECT:	<i>Annual Governance Statement 2018/19</i>
REPORT OF:	<i>Director of Resources</i>
RESPONSIBLE OFFICER	<i>Rodney Fincham, Head of Finance</i>
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WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

- 1.1 The purpose of this report is to provide Members with sufficient evidence so that they can:
- conduct the statutory review of the effectiveness of the Authority's Governance Framework / system of internal control, and
 - approve the statutory Annual Governance Statement for 2018/19.

RECOMMENDATION

1. **Members are asked to:**
- **review the assurances provided,**
 - **consider whether there are any other significant gaps in control / assurance; and then**
 - **approve the Annual Governance Statement.**

2. Background

- 2.1 Governance is defined as:

'Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'
(CIPFA / SOLACE).

It comprises the systems and processes, and culture and values by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Internal control is the name given to the policies, procedures, systems and review mechanisms that are put in place to ensure that the organisation is subject to adequate management to ensure that the organisation meets its objectives. **Internal audit** is one element of internal control.

2.2 The Accounts and Audit Regulations 2015 require that the system of internal control is reviewed at least once a year and that a Governance Statement is produced and included in the annual Statement of Accounts. The actual requirement is as follows:

3. A relevant authority must ensure that it has a sound system of internal control which

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

6.(1) A relevant authority must, each financial year

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must

(a) consider the findings of the review required by paragraph (1)(a)

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of

(i) a committee; or

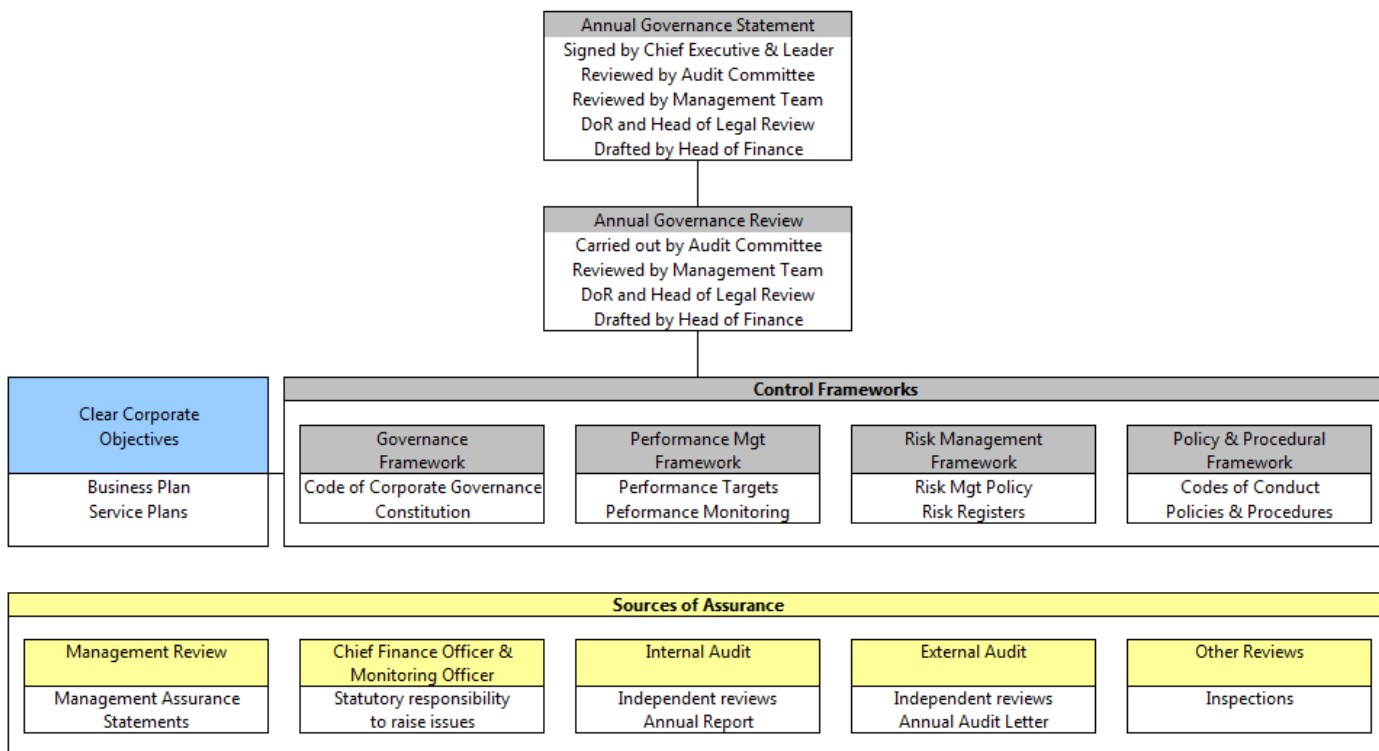
(ii) members of the authority meeting as a whole.

3. Responsibility for Undertaking the Review

3.1 The terms of reference for the Audit & Standards Committee encompass the responsibility, on behalf of the Authority, to conduct the review of internal control and be responsible for reviewing the Annual Governance Statement.

4. Overall Framework

4.1 The diagram below summarises the Authority’s Corporate Governance Assurance Framework.



4.2 Essentially for there to be good corporate governance there needs to be clear corporate objectives supported by four effective frameworks covering Governance, Performance Management, Risk Management and Policies & Procedures.

4.3 And in order to assess the arrangements it is helpful to draw on five sources of assurance namely – Management Review, Statutory Officer Review, Internal Audit, External Audit and Other Reviews.

5. Review of Governance Framework

5.1 The review of the Governance Framework can be undertaken by following 8 steps as set out in the following table.

	Requirement	Comment
1	Establish principal statutory obligations and corporate objectives, and put in place effective Corporate Governance and Performance Management arrangements.	This has been met by: <ul style="list-style-type: none"> Establishing the Council's aims and objectives. Producing the Business Plan and Service plans. Producing the other plans and strategies within the organisation. Adopting a Code of Corporate Governance. Implementing a Performance Management Framework. Further details with regard to meeting this requirement are included in Appendix 1.
2	Identify principal risks to achievement of objectives.	This has been met by the production of strategic and operational risk registers. Further details with regard to meeting this requirement are included in appendix 2.
3	Identify and evaluate key controls to manage principal risks.	This is met as the risk registers require risks to be assessed and mitigating controls identified. Further details with regard to meeting this requirement are included in Appendix 3.
4	Obtain assurances on effectiveness of key controls.	This is met as it occurs throughout the year as part of the ongoing management of the organisation. However for the purpose of the annual review of internal control it is useful to summarise the key sources of assurance and this is done in section 6 of this report below.
5	Evaluate assurances and identify gaps in control / assurances.	See section 7 of this report below.
6	Draw up an action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance.	The actions to be taken to address the weaknesses identified are detailed in the Draft Annual Governance Statement.
7	Produce Annual Governance Statement.	Draft statement included as Appendix 4.
8	Report to Members.	This report meets this requirement.

6. Sources of Assurances

6.1 The following table summarises the five key sources of assurance, and the assurances obtained from these sources for 2018/19.

Source of Assurance	Comment from Guidance	Assurance Obtained
Management and Member Review	Managers should routinely monitor and review the internal controls as an integral part of the risk management process.	Officers are: guided by the Council's aims and objectives; operate within the Council's rules and regulations; produce service plans; maintain risk registers; and regularly report on progress to Senior Officers and Members. For 2018/19 all Heads of Service were required to complete a Management Assurance Return to highlight any known weaknesses in internal control.
The Role of the Chief Finance 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.	During the year no significant issues have been raised by either the Chief Finance Officer (Director of Resources) or the Monitoring Officer (Head of Legal & Democratic Services).
Internal Audit	The relevant body is likely to take assurance from the work of Internal Audit as the Code of Practice for Internal Audit in Local Government requires the Head of Internal Audit to include in the annual Internal Audit report an opinion on the overall adequacy and effectiveness of the Authority's internal control environment. Therefore provided the body can satisfy itself that Internal Audit operates to the standards set out in the Code, the relevant body is justified in taking assurance from this opinion.	The 2018/19 Annual Internal Audit Report contains Internal Audit's Annual Opinion. This states that <i>'In my opinion, Chiltern District Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.'</i>

Source of Assurance	Comment from Guidance	Assurance Obtained
External Audit	External Audit are another potential source of assurance on the operation of internal controls although it should be noted that the audit reports / management letters will not cover the full range of activities and risks, and that external auditors are not required to form an opinion on the effectiveness of the relevant body's corporate governance procedures or its risk and control procedures.	To date External Audit have not raised any significant issues of concern with Management.
Other Review Agencies and Inspectorates	The system of internal control covers the whole of the Authority's operations. Aspects of these operations are subject to independent external review and these reports also provide the body with relevant assurance.	Full Public Sector Network (PSN) compliance has been maintained.

7. Gaps in Control and Governance Assurances

- 7.1 Main Governance and control issues are detailed in section 6 of the Annual Governance Statement (Appendix 4).
- 7.2 It is suggested that there are no other significant issues to add but Members are requested to consider whether there are any other significant issues of concern and whether these issues need to be disclosed in the Annual Governance Statement.

8. Annual Governance Statement

- 8.1 A draft Annual Governance Statement is included as Appendix 4.
- 8.2 Members are asked to review the draft Annual Governance Statement and consider whether changes are needed.

9. Corporate Implications

- 9.1 There are no direct financial, legal or human resource implications from this report.

10. Links to Council Policy Objectives

10.1 This report relates to the Authority’s Corporate Governance Framework which underpins the effective operation of all the Council’s activities.

11. Next Step

11.1 The Chief Executive and Leader will be required to sign off the Annual Governance Statement and this will be published in the Annual Statement of Accounts.

11.2 The Statement will be reviewed by external audit as part of their audit review process.

Background Papers:	None
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