

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

21st September 2017

Report of: the Chief Executive

Report Title: Final Annual Governance Statement 2016/17

Ward: Citywide

Officer presenting report: Denise Murray, Service Director Finance / Jonathan Idle, Interim Chief Internal Auditor

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RECOMMENDATION

The Audit Committee consider and agree the Final Annual Governance Statement together with an Action Plan as a fair reflection of the internal control and governance environment during 2016/17 and to date, prior to it being signed by the Mayor.

SUMMARY

The Council is required by the Accounts and Audit Regulations 2015 to prepare an Annual Governance Statement to accompany its published financial statements. A review of the internal control, risk management and governance arrangements has taken place and the resulting Statement and Action Plan is attached to this report. A draft of this statement was discussed in detail at the June 2017 Audit Committee.

The significant issues in the report are:

- the requirement for the Annual Governance Statement
- the review process undertaken to enable the Statement to be made
- the Final Annual Governance Statement is attached together with an Action plan which details the most significant control and governance issues identified during 2016/17 together with the actions for improvement in these areas.

Policy

Publication of an Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015. Additionally, the Council's Risk Management Policy Statement requires the Audit Committee to review the Annual Governance Statement to ensure it accurately reflects the internal control, risk management and governance arrangements in place.

Consultation:

Internal: Elected Mayor, Deputy Mayor, Extended Leadership Team (ELT), Section 151 Officer, Audit Committee, other relevant officers (Monitoring Officer, Chief Internal Auditor)

External: None necessary

1. Introduction

- 1.1 Arising from the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control, and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any shortfalls are identified and addressed.
- 1.2 The Annual Governance Statement must be a fair reflection of the internal control and governance environment during 2016/17 up to the date of being signed by the Mayor and Chief Executive alongside the 2016/17 Annual Statement of Accounts.
- 1.3 The Accounts and Audit Regulations 2015 also specify that the AGS is considered by “the organisation itself, or a Committee of the organisation”, and this requirement is being met by this submission to the Audit Committee.

2. AGS

- 2.1 A more robust approach to providing assurance for the 2016/17 Annual Governance Statement has been developed with senior managers from across the Council completing assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these employees have certified or otherwise their satisfaction with arrangements in place during 2016/17.
- 2.2 The review process also examined a wide range of internal control and governance processes., which included:
 - meeting with Senior Management and other key officers within the Council, where appropriate;
 - obtaining and reviewing all External Audit and Inspection reports, Internal Audit reports and management monitoring reports;
 - a review of all corporate risk register items;
 - the scrutiny and evaluation of the information obtained;
 - determining significant control issues within the definition agreed for disclosure; and
 - consultation with the ELT, Audit Committee, Deputy and Elected Mayor.

2.3 The AGS describes the Council's governance framework and reviews its effectiveness, which covers the following:

- External Commissioned Review;
- Audit Arrangements;
- Financial Arrangements;
- Decision Making; and
- Council Owned Companies.

2.4 The Statement summarises the actions and improvements which have been taken to enhance governance arrangements in 2016/17 before setting out significant governance and control issues.

2.5 In determining the significant governance issues to disclose, the following factors have been considered on whether the issues had:

- seriously prejudiced or prevented achievement of a principal objective;
- resulted in the need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the business;
- a material impact on the accounts;
- been considered as significant for this purpose by the audit committee or equivalent;
- attracted significant public interest or had seriously damaged the reputation of the Council;
- resulted in formal action being taken by the Section 151 Officer/Monitoring Officer;
- received significant adverse commentary in external inspection reports and which the Council has not been able to address in a timely manner.

2.6 In summary the significant governance issues arising in the Statement are as follows, from which actions are required relate to:

- The range of issues in the Bundred Review;
- Rate of Implementation of Internal Audit Recommendations;
- Strategy and Business Planning;
- Performance Management;
- Governance of the Capital Programme;
- Procurement and Contract Management
- Decision Pathways
- Partnership Agreements;
- Information Security and Data Breaches;
- Risk Management processes;
- Member development;
- Protocol for Member Officer Relations;
- Audit Committee effectiveness; and
- Asset Disposal.

2.7 In addition to enabling the preparation of the AGS, this process has provided an opportunity for the review and evaluation of control issues throughout the Council. Where appropriate, the issues identified in the AGS will be included in the Corporate Risk Register (CRR), and progress on the actions to address the issues will be monitored and reported to management teams accordingly.

2.8 It has also been identified that the Council's Code of Corporate Governance requires refreshing and updating, This will be presented to a subsequent Audit Committee.

Other Options Considered

None necessary

Risk Assessment

The need to maintain a robust Risk, Governance and Control environment is pivotal to the effective operations of the Council's functions, a statutory requirement of the Accounts and Audit Regulations 2015 and an implied requirement of the External Auditor.

Failure to maintain and where required improve this environment will not only impact on the proper practices of the Council, but will also be in breach of the Accounts and Audit Regulations 2015 and may attract an adverse opinion from the External Auditor.

Disclosures of significant control weaknesses in a public statement could result in adverse press coverage. Hence the wording of the disclosures has been discussed with the ELT to minimise this risk. The document has also been discussed with Corporate Communications prior to publication.

Equalities Impact Assessment

None necessary for this report

Environmental Impact Assessment

None necessary for this report

Legal and Resource Implications

Legal - none sought.

Resources - none arising from this report, however resource implications may arise if the Council fails to maintain a robust control, risk and governance environment.

Appendices

Appendix A - Annual Governance Statement and Action Plan 2016/17

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers
Audit Committee Terms of Reference
Risk Management Policy Statement
CIPFA/SOLACE Guidance on the Annual Governance Statement