

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**28<sup>th</sup> May 2019**

**Report of: the Head of Paid Service**

**Report Title: Draft Annual Governance Statement 2018/19**

**Ward: Citywide**

**Officers presenting report: Denise Murray, Director - Finance / Alison Mullis,  
Deputy Chief Internal Auditor**

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**RECOMMENDATION**

The Audit Committee consider and agree the draft Annual Governance Statement as a fair reflection of the internal control and governance environment during 2018/19 and to date, prior to it being finalised and signed by the Mayor, the Head of Paid Service, s151 Officer and Monitoring Officer.

**SUMMARY**

The City 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 draft Statement is attached to this report.

**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 draft Annual Governance Statement is attached which details the most significant control and governance issues identified during 2018/19.

**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:** Deputy Mayor, Statutory Policy Board (SPB), 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 2018/19 up to the date of being signed by the Head of Paid Service and Mayor alongside the 2018/19 Annual Statement of Accounts. The External Auditors will review the draft AGS in detail as part of their audit of the Statement of Accounts for 2018/19. The AGS can be updated in July to reflect any governance changes that have occurred since this report.
- 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. Draft AGS**

- 2.1 A robust approach to providing assurance for the 2018/19 Annual Governance Statement has again been utilised 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 2018/19.
- 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 External Audit and Inspection reports, Internal Audit reports and management monitoring reports;
  - the scrutiny and evaluation of the information obtained;
  - determining significant control issues within the definition agreed for disclosure; and
  - consultation with the SPB, Audit Committee and Deputy Mayor.

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

- Effective Interventions and Decision Making;
- Behaving with Integrity, Openness and Transparency;
- Defining Outcomes and Managing Performance;
- Developing Capacity;
- Information Technology and Information Security;
- Risk Management Arrangements;
- Financial Arrangements;
- Council Owned Companies;
- Results of External Inspections; and
- Audit arrangements.

2.4 The Statement summarises the actions and improvements which have been taken to enhance governance arrangements in 2018/19 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:

- A number of complaints of racial discrimination that were raised by the BAME staff led group.
- The External Auditor's 'except for' opinion on the Councils arrangements for securing economy, efficiency and effectiveness in the use of resources
- The limited progress against a number previous governance issues identified which require further work or re-calibration of timescales to deliver in line with capacity available to do so.
- The Chief Internal Auditor's opinion on the control, risk management and governance framework which has been 'limited assurance' for the third consecutive year.

**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. 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 - Draft Annual Governance Statement and Action Plan 2018/19

**LOCAL GOVERNMENT ACCESS TO INFORMATION**

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