

## **CORPORATE GOVERNANCE COMMITTEE – 12 JUNE 2015**

### **JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE CHIEF EXECUTIVE**

### **ANNUAL GOVERNANCE STATEMENT 2014/15**

#### **Purpose of the Report**

1. The purpose of this report is to:
  - (a) Outline the background and approach taken to produce the County Council's 2014/15 Annual Governance Statement (AGS);
  - (b) Present the draft AGS for comment by the Committee prior to sign off by the Chief Executive and Leader of the Council.

#### **Background**

2. Regulation 4(2) of The Accounts and Audit (England) Regulations 2011 requires each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement, prepared in accordance with proper practices in relation to internal control. The preparation and publication of an AGS in accordance with the CIPFA/SOLACE document 'Delivering Good Governance in Local Government' fulfils the statutory requirement. The AGS encompasses the governance system that applied in both the authority and any significant group entities during the financial year being reported.
3. The AGS is an important statutory requirement which enhances public reporting of governance matters.
4. To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework and that the conclusions and future challenges are appropriate, CIPFA guidance requires high level input from the Committee into the AGS. The draft 2014/15 AGS is attached as Appendix 1 and any comments by the Committee will be duly considered and incorporated as appropriate.
5. The draft statement has already been considered by a senior management group comprising the Monitoring Officer, the Chief Financial Officer, the Head of Democratic Services and the Head of Internal Audit Service.

## **Approach**

6. The review of the effectiveness of the County Council's system of internal control and overall corporate governance arrangements requires the sources of assurance, which the Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
7. During 2014-15 responsibility for compilation of the AGS transferred to the Internal Audit Service. The Public Sector Internal Audit Standards (PSIAS) allows for the Head of Internal Audit Service to assist management in drafting the AGS. The process followed as explained below, has not changed significantly from the previous year.
8. To ensure the AGS presents an accurate picture of the governance arrangements for the whole Council, each Director was required to complete a 'self-assessment' based on the six principles of good governance described in the revised CIPFA / SOLACE framework. This assessment is designed to provide details of the measures in place (systems, process, documents etc.) within their departments during the financial year 2014/15, to ensure compliance (or otherwise) with the Council's Code of Corporate Governance. The assessment also allowed for the recognition and recording of areas where improvements or developments are required.
9. The departmental self-assessments contained a set of compliance statements under each core principle, which required a corresponding score based on criteria described within the draft AGS. The application of a more quantitative approach to assessing compliance against the Code allows the Committee and the public at large to obtain necessary assurance that the Council operates within an adequate internal control environment, thus complying with the six core principles and best practice.
10. A number of Corporate Assurance Statements were also completed to capture evidence to gain an overall organisational perspective of processes in place as described by the six core principles. These statements also allowed for the recognition and recording of areas where improvements or developments were required.
11. The completed statements were analysed along with various other sources of evidence to determine whether there are any significant governance issues that should be reported in the AGS. Some of these sources include:
  - a. Reports provided by internal and external audit and other assurance sources and the implications of these reports for the overall governance of the Council;
  - b. The Head of Internal Audit Service's annual opinion on the overall adequacy and effectiveness of the Authority's control environment;
  - c. Evaluation of any negative media articles.

## **Outcome of the 2014/15 review of the Governance Framework**

12. Guidance states that 'Significant Governance Issues' are those that:
  - a. Seriously prejudice or prevent achievement of a principal objective of the authority;
  - b. Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in the significant diversion of resources from another aspect of the business;
  - c. Have led to a material impact on the accounts;
  - d. The Corporate Governance Committee advises should be considered significant for this purpose;
  - e. The Head of Internal Audit Service reports on as significant in the annual opinion on the internal control environment;
  - f. Have attracted significant public interest or have seriously damaged the reputation of the organisation;
  - g. Have resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer.
13. The 2014/15 review of the Governance Framework by the senior management group identified no significant governance issues for inclusion within the Annual Governance Statement.
14. The assurance gathering process has confirmed that actions are being taken and further improvements to governance are planned in relation to the key challenges facing the Council in 2015/16 and throughout the timespan of the current MTFS. The senior management group charged with responsibility for producing the 2014/15 AGS has determined that progress on the improvement areas identified against each Principle in Section Four should be the responsibility of service managers. Similarly, the group determined that those areas listed in the Future Challenges Section will be subject to scrutiny through existing reporting channels. Therefore monitoring of improvement areas included in the AGS is not required.
15. The Code of Practice in Local Authority Accounting states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported. Therefore, in the event of the above occurring, the AGS presented as Appendix 1 would change. Details would, of course, be reported to members of the Committee for information.
16. Approval and ownership of the AGS has been reflected at corporate level and the statement will be signed on behalf of the Council by the Chief Executive and Leader of the Council and published on the County Council's website.

## **Recommendations**

17. The Committee is requested to:

- a. Consider the draft AGS (Appendix 1) and indicate whether it is consistent with the Committee's own perspective on internal control within the Authority;
- b. Note that the AGS, which may be subject to such changes as are required by the Code of Practice in Local Authority Accounting, has been prepared in accordance with best practice.

## **Resource Implications**

18. None.

## **Equality and Human Rights Implications**

19. None.

## **Background Papers**

Delivering Good Governance in Local Government: Framework – issued by CIPFA / SOLACE, 2007 and 2012;

The 2014/15 Corporate and Departmental Assurance Statements;

The Accounts and Audit (England) Regulations 2011:  
<http://www.legislation.gov.uk/ukxi/2011/817/contents/made>

Delivering Good Governance in Local Government:  
<http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework>

## **Circulation Under the Local Issues Alert procedure**

None

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### **List of Appendices**

Appendix 1 – Draft Annual Governance Statement 2014/15