



## Annual Governance Statement 2016/17

### 1. SCOPE OF RESPONSIBILITY

ESPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. ESPO also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, ESPO is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

ESPO has approved and adopted a code of corporate governance as best practice, which is consistent with the principles of “The new Delivering Good Governance in Local Government Framework” (CIPFA/Solace, 2016). This statement explains how ESPO has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6 (1a and 1b) which requires all relevant bodies to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement. The overall aim of the new Delivering Good Governance Framework (which must be applied to annual governance statements prepared for the financial year 2016/17 onwards) is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the Organisation is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of ESPO’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at ESPO for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts. ESPO's governance environment is consistent with the seven core principles of the Delivering Good Governance Framework, within each principle we have identified the sources of assurance.

**PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.**

**Under this principle, there is a requirement to:**

- Behave with integrity
- Demonstrate a strong commitment to ethical values
- Respect the rule of the law

<b>Description of Governance Mechanisms:</b>  <i>Evidence and documents that demonstrate compliance / good practice</i>	<b>Assurances received</b>	<b>Weaknesses identified:</b> <i>Areas for improvement</i>
<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Performance appraisals</li> <li>• Anti-fraud and anti-corruption policies</li> <li>• Whistleblowing arrangements</li> <li>• Code of Corporate Governance</li> <li>• Financial regulations</li> <li>• Members and Officers Codes of Conduct</li> <li>• Decision making practices/framework</li> <li>• Register of Interests and Gifts and Hospitality</li> <li>• Ethical awareness training and dealing with conflicts of interest</li> <li>• Procedures for responding to behaviour complaints</li> <li>• Protocols for partnership working</li> <li>• Communicating shared values with members, staff, the community and partners</li> </ul>	<ul style="list-style-type: none"> <li>• Registers of Interests and Gifts and Hospitality maintained by the Directorate office.</li> <li>• Adopted LCC Employee Code of Conduct. 'Dignity At Work' Policy and Procedures provides employees with examples of unacceptable behaviour, and is complimented by other HR policies.</li> <li>• Constitution sets out financial rules and regulations.</li> <li>• Adopted LCC Anti-Fraud &amp; Corruption Policy, Strategy and Procedures.</li> <li>• Whistle blowing policy in place on the intranet.</li> <li>• Members of individual authorities are subject to their own Code of Conduct.</li> <li>• Various training rolled out through-Learning, certain courses are now mandatory to complete.</li> <li>• Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported.</li> <li>• Annual Governance Statement produced by compiling and scrutinising information from departmental Self Assessments.</li> <li>• Organisational values considered during PDR, complimented by regular communications displaying the vision and mission statements.</li> <li>• New induction process implemented in 2017.</li> </ul>	

**PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement**

**Under this principle, there is a requirement of ESPO to:**

- Display openness
- Engaging comprehensively with institutional stakeholders
- Engaging stakeholders effectively

<b>Description of Governance Mechanisms –</b> <i>Evidence and documents that demonstrate compliance / good practice</i>	<b>Assurances received</b>	<b>Weaknesses identified:</b> <i>Areas for improvement</i>
<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Freedom of Information Act publication scheme</li> <li>• ESPO website</li> <li>• Clear policies on consulting and involving staff in decision making. Full Public meetings protocol observed as advised by LCC Democratic Services (observing requirements of public reporting, and private session routines for commercially sensitive subject matter)</li> <li>• Annual financial statements</li> <li>• Database of stakeholders</li> <li>• Communication Strategy</li> <li>• Calendar of dates for submitting, publishing and distributing timely reports</li> <li>• Decision making protocols / records of decisions and supporting materials</li> </ul>	<ul style="list-style-type: none"> <li>• The Statement of Accounts are published every year. The Statement of Accounts have been produced in line with various regulations.</li> <li>• Freedom of Information (FOI) and Environmental Information Regulations Policy underpin the key principles of the Information Management Strategy in that ESPO embraces a culture that is open, accessible and accountable, aiming to publish as much information as possible. FOI practices are in place to enable ESPO to meet obligations and aid understanding of public interests.</li> <li>• ESPO website is frequently used as a medium to inform and engage with the stakeholders and updates on the homepage direct users to key information including ESPO's vision and mission statement.</li> <li>• Full public annual report providing information on outcomes and achievements.</li> <li>• ESPO recognises the importance to consult, involve and listen to stakeholders so that the organisation can be improved and future plans made.</li> <li>• Regular customer surveys are carried out to ensure feedback mechanisms are in place to take in to account stakeholder views.</li> <li>• Alignment of key decision making to the key protocols and delegated powers set out in the ESPO constitution.</li> <li>• Regular staff briefings take place be it via the Employee Engagement Group, Director's briefing, or the Senior Officers Enablers group.</li> <li>• The medium term financial strategy is communicated to all.</li> </ul>	<p>.</p>

**PRINCIPLE C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

**Under this principle, there is a requirement of ESPO to:**

- Define outcomes
- Ensure sustainable economic, social and environmental benefits

<b>Description of Governance Mechanisms –</b>  <i>Evidence and documents that demonstrate compliance / good practice</i>	<b>Assurances received</b>	<b>Weaknesses identified:</b> <i>Areas for improvement</i>
<ul style="list-style-type: none"> <li>• Business Strategy and supporting projects (delivery and strategic)</li> <li>• Service / Business Plans supported by relevant strategies</li> <li>• Communication Strategy</li> <li>• Performance trends and reports on the progress of service delivery</li> <li>• Business and financial planning process</li> <li>• Service Level Agreement in place with the Servicing Authority</li> <li>• Effective performance management system including Key Performance Indicators and identifying areas for improvement</li> </ul>	<ul style="list-style-type: none"> <li>• A strategy which sets out how efficiencies included within the MTFs will be achieved.</li> <li>• Outcomes are delivered through Assistant Director’s plans and strategies which set out objectives and targets in relation to ESPO’s priority outcomes.</li> <li>• Communication strategy that is based on a brand survey of our customers allowing us to provide a better service to our stakeholders.</li> <li>• Performance trends reported through balanced scorecard. Also trends identified in monthly and weekly financial reports.</li> <li>• Annual Report considered by members – supported by approved Medium Term Financial Strategy and Annual Statement of Accounts.</li> <li>• Industry benchmarking measures undertaken in some departments to determine value for money. For example, competitors’ Annual reports are reviewed.</li> </ul>	

**PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

**Under this principle, there is a requirement of ESPO to:**

- Determine interventions
- Plan interventions
- Optimise achievement of intended outcomes

<b>Description of Governance Mechanisms –</b> <i>Evidence and documents that demonstrate compliance / good practice</i>	<b>Assurances received</b>	<b>Weaknesses identified:</b> <i>Areas for improvement</i>
<ul style="list-style-type: none"> <li>• Finance and Audit Subcommittee</li> <li>• Approved Risk Strategy/Policy</li> <li>• Legal advice provided by officers</li> <li>• Communications strategy</li> <li>• Service Level Agreement in place with the Servicing Authority</li> <li>• Service Business Plans supported by relevant strategies</li> <li>• Business and financial planning process</li> <li>• Effective performance management system including progress on Key Performance indicators and identifying areas of improvement</li> <li>• Quality of information provided which needs to support decision making</li> <li>• Decision making protocols / records of decisions and supporting materials</li> </ul>	<ul style="list-style-type: none"> <li>• Finance and Audit Subcommittee receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports.</li> <li>• Terms of References for Committees and decision making protocols are detailed in the Constitution - records of decisions, with supporting materials can be made available</li> <li>• ESPO's risk management framework aligned with local government best practice – providing assurance to the Leadership Team, Members and public that ESPO is mitigating the risks of not achieving key priorities.. This is further audited through the internal audit programme of work.</li> <li>• Members of the Management Committee actively engage and take interest in risk management, including detailed scrutiny of the Corporate Risk register. This is reported quarterly.</li> <li>• Chief Officer Group Assurance</li> <li>• External audit assurance</li> <li>• Mentoring of reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate</li> <li>• Receiving professional advice and support as and when required to ensure that services are delivered effectively</li> </ul>	

**Under this principle, there is a requirement of ESPO to:**

- Developing ESPO's capacity
- Develop the capability of ESPO's Leadership Team and all staff members

<p><b>Description of Governance Mechanisms –</b> <i>Evidence and documents that demonstrate compliance / good practice</i></p>	<p><b>Assurances received</b></p>	<p><b>Weaknesses identified:</b> <i>Areas for improvement</i></p>
<ul style="list-style-type: none"> <li>• Induction programme</li> <li>• Officer training and development plans</li> <li>• Availability and communication of L&amp;D activities</li> <li>• Performance reviews of officers</li> <li>• Workforce Planning</li> <li>• Member training and development</li> </ul>	<ul style="list-style-type: none"> <li>• A new induction process and booklet has been introduced during FY 2016-17. This has been tailor made to ESPO and includes an HR induction followed by a quarterly corporate induction meeting which provides an overall overview of ESPO, the departments, key priorities, organisational values and behaviours along with the MTFS targets.</li> <li>• All staff are required to complete mandatory training and for new starters this is issued as part of the induction process.</li> <li>• The Wellbeing Charter for ESPO commenced in FY 2016-17 to support individuals in maintaining their own physical and mental wellbeing. This is led by the Health &amp; Safety Advisor and the Employee Engagement Group provide strategic and operational direction.</li> <li>• Regular Performance Development Reviews are undertaken throughout the organisation on a regular basis and are aligned to the ESPO strategy.</li> <li>• Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers at all grades assessed against behaviours which underpin the management competency framework.</li> <li>• Performance management and reporting systems in place at various levels, allowing outcomes to be cascaded and linked to individual development plans.</li> <li>• Member meetings with Director on quarterly basis. Also Members are invited to ESPO to review the business and meet officers.</li> <li>• Introductory briefings carried out for new members, with refresher insight days offered at regular intervals (normally coinciding with the on-site Management Committee meeting)</li> <li>• A workforce strategy will be completed for FY 17-18 and will include a workforce plan which will align to an Organisational Development Plan to enhance the strategic allocation of resources, skills and development and plan for future requirements.</li> <li>• Regular briefings and communications are in place so that all staff are kept informed of key operational, departmental and corporate objectives through the weekly staff update, Director's briefings, team meetings, Senior Officers Enabler's group and the Employee Engagement group.</li> <li>• Constitution sets out ESPO's political structure and roles and responsibilities of the Committees, the Chief Officers and the rules under which they operate. There are specific job descriptions in place for all members of staff.</li> </ul>	

**PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management**

**Under this principle, there is a requirement of ESPO to:**

- Manage Risk
- Manage performance
- Robust internal control
- Manage data
- Strong public financial management

<b>Description of Governance Mechanisms –</b> <i>Evidence and documents that demonstrate compliance / good practice</i>	<b>Assurances received</b>	<b>Weaknesses identified:</b> <i>Areas for improvement</i>
<ul style="list-style-type: none"> <li>• Approved Risk Strategy Policy</li> <li>• Scheme of delegation, standing orders and financial regulations</li> <li>• Constitution is regularly reviewed</li> <li>• Code of Corporate Governance</li> <li>• Annual Governance Statement</li> <li>• Decision making protocols / records of decisions and supporting materials</li> <li>• Medium Term Financial strategy</li> <li>• Statement of Accounts and Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• A Corporate Risk Register is maintained and review each quarter. This is regularly reported to the Management Committee</li> <li>• Risk training has been completed in the FY 2016-17 for all Leadership Team members</li> <li>• Established finance function maintains sound financial frameworks and supports delivery of MTFS</li> <li>• Management Committee maintain oversight of management and stewardship of ESPO and the minutes of these meetings are available.</li> <li>• Constitution sets out “Responsibility for Functions” including scheme of delegation to the Director. Also includes financial regulations and contract procedure rules, which have been further updated to reflect current delegations and procedures at ESPO.</li> <li>• Monitoring officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed.</li> <li>• Regular meetings take place with the Chairman, the Director and the Servicing Authority.</li> <li>• Assessment of compliance with the statement on the role of the Head of Internal audit.</li> <li>• The Code of Corporate Governance and Annual Governance statement is maintained and reviewed on a regular basis.</li> <li>• External audit assurance.</li> <li>• Terms of Reference for Committee and decision making protocols are detailed in the constitution – records of decisions, with supporting materials are available.</li> </ul>	<p>.</p>

**PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability to all our stakeholders.**

**Under this principle, there is a requirement of ESPO to:**

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

<b>Description of Governance Mechanisms –</b> <i>Evidence and documents that demonstrate compliance / good practice</i>	<b>Assurances received</b>	<b>Weaknesses identified:</b> <i>Areas for improvement</i>
<ul style="list-style-type: none"> <li>• Approved Risk Strategy Policy</li> <li>• Code of Corporate Governance</li> <li>• Annual Governance Statement</li> <li>• Statement of Accounts and Annual Report</li> <li>• Local Government Transparency Code 2015</li> <li>• Freedom of Information Scheme</li> <li>• External audit</li> <li>• Compliance to rules and regulations</li> <li>• Health and Safety</li> <li>• Safety certifications</li> </ul>	<ul style="list-style-type: none"> <li>• ESPO is adhering to the Local Government Transparency Code 2015 and the data is published under Leicestershire County Council’s website as the Servicing Authority.</li> <li>• ESPO produces a Statement of Accounts and Annual report each year which is audited by external auditors.</li> <li>• ESPO adheres to Freedom of Information requests as appropriate.</li> <li>• The Service Level agreement is available for review.</li> <li>• Finance and Audit Subcommittee receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports.</li> <li>• Internal Audit Service annual plan of audits provides assurance that the governance, risk management and internal control systems of ESPO are operating effectively.</li> <li>• All statutory deadlines are adhered to on a regular basis.</li> <li>• Where necessary all inspection and certifications are carried out on a regular basis and certificates are available for review for example Gas safety certification, delivery vehicle services and Transport Management Inspection from FTA LOLER certification.</li> </ul>	<p>.</p>



### 3. REVIEW OF EFFECTIVENESS

ESPO has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers and Leadership Team within ESPO who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit Service's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The CIPFA/SOLACE Delivering Good Governance Framework details the key sources of typical systems and processes that an organisation can adopt to ensure it has an effective system of internal control. Using this guidance ESPO can provide assurance that it has effective governance arrangements, which have been established through the following:

#### **Code of Corporate Governance**

The Director has a duty to monitor and review the operation of the Code of Corporate Governance and as part of this process the Director ensures an annual assessment of the Organisation's compliance with the Code of Corporate Governance is undertaken.

#### **Internal Audit Service**

##### Background

During the financial year 2016-17 Leicestershire County Council Internal Audit Service (LCCIAS) provided internal audit service to ESPO.

LCCIAS works to the principles of the Public Sector Internal Audit Standards (the PSIAS) which were revised in April 2016. Revisions to the PSIAS were reflected in an updated Internal Audit Charter for ESPO mandating the purpose, authority and responsibility of the internal audit activity. The Charter was approved by Management Committee in February 2017. As part of his Annual Report requirements, the HoIAS conducted a light touch self-assessment of LCCIAS' conformance to the PSIAS. The self-assessment identified that current practices generally sufficiently conform to the PSIAS. Whilst, a few specific areas have been identified where action is needed these are not significant deviations to the PSIAS. The HoIAS is continuing to state that LCCIAS abides by the principles of the PSIAS. The Service will be subject to an independent external assessment in the latter part of 2017-18.

In order to meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of ESPO's control environment i.e. the framework of governance, risk management and control, the HoIAS constructs an annual risk based plan of audits. Given the continuing improvements in risk management at ESPO, the plan is primarily based on the contents of Corporate Risk Register, Major Risk Records, the four year Strategy and the AGS, to ensure that current and emerging risks are adequately covered. Parts of the plan relate to audits of the key financial systems that are used by the External Auditor in their audit of the financial accounts. A contingency is retained for unforeseen risks, special projects and investigations.

Audit reports often contain recommendations for improvements. The number, type and importance of recommendations affects how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined sum of individual audit opinions and other assurances gained throughout the year (e.g. attendance at Committees, evaluations of the work of other assurance providers), facilitate the HoIAS to form the annual internal audit opinion on the overall adequacy and effectiveness of ESPO's governance, risk management and control framework (i.e. the control *environment*).

The HoIAS presents a detailed annual report to the Management Committee in June. The annual report incorporates the annual internal audit opinion; a summary of the work that supports the opinion; performance against the plan, a statement on conformance with the PSIAS and any matters to be raised in the AGS.

For 2016-17 based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, and the professional judgement of the HoIAS in evaluating other related activities, the following sub-opinions were reached:-

a. Governance related audits

Nothing of significance, adverse nature or character has come to the HoIAS attention. As such reasonable assurance is given that ESPO's governance arrangements are robust.

b. Risk management related audits

An audit of the M-Star framework compliance contained a high importance recommendation and hence only partial assurance based on potential reputation damage to ESPO in respect of non-compliance to a specific contract obligation by some suppliers. ESPO management accepted that recommendation and other minor ones and promptly established a plan for remedial action including more in depth follow up audits in 2017-18.

All other internal audit recommendations which further mitigate risk were accepted, therefore reasonable assurance is given that risk is managed

c. Financial and ICT Control related audits

Reasonable assurance can be given that the operation and management of the core financial systems of ESPO are of a sufficient standard to provide for the proper administration of its financial affairs.

## **Risk management arrangements**

### *Governance of Risk*

ESPO's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. In order for risk management to be most effective and become an enabling tool, ESPO must ensure a robust, consistent, communicated and formalised process is established. The Risk Management Policy and Strategy is reviewed annually and approved by the Management Committee.

Risk management processes have been further entrenched into the management of the organisation with each member of the management team being responsible for reviewing changes in risk on a quarterly basis within their area of responsibility.

## **External Audit**

ESPO's external auditors PricewaterhouseCoopers (PWC) gave detailed findings from their planned audit work of ESPO, to those charged with governance through:

### *Report to those charged with Governance*

Under International Auditing Standards, external auditors are required to report to those charged with governance on the significant findings from their audit before giving their audit opinion, the purpose of which is to highlight any significant matters. The report concluded that no significant audit and accounting issues were identified and that there were no material deficiencies in internal control, leading to an overall unqualified opinion.

### *Audit opinion for the 2015/16 Statement of Accounts,*

The audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. For 2015/16, ESPO's statement of accounts presented a true and fair view, in accordance with the relevant codes and regulation.

ESPO's Constitution includes Standing Financial Instructions, Contract Procedure Rules and Schemes of Delegation. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Organisation which contribute to the production of the Annual Statement of Accounts and positive opinion presented by our external auditors.

## **Organisational Governance and Performance Framework**

The Leadership Team and Management Committee receive a monthly Balanced Scorecard, which includes information relating to:

- Financial Information;
- Information issues;
- Procurement;
- Employee related information;

## **Annual Governance Assurance Statements**

The annual review of effectiveness requires the sources of assurance, which ESPO relies on, to be brought together and reviewed from both a department and corporate view.

To ensure this Annual Governance Statement presents an accurate picture of governance arrangements currently in place, senior managers were required to complete a 'Governance Self- Assessment', which provided details of the measures in place within their area to ensure compliance (or otherwise) with the Revised Framework (2016). Where specific 'areas of improvement' were identified, these have been incorporated into an action plan for management to discuss and prioritise during the course of the next financial year.

In order to assist the HoIAS' opinion on the adequacy and effectiveness of ESPO's control environment, sample checking of the returns and supporting evidence was conducted. This included:

- Discussion on how the self-assessment was conducted, co-ordinated, discussed and signed;
- Follow up with the Director and Leadership Team two Assistant Directors to confirm their involvement;

- Selecting areas across the range of the six core principles to test if there was sufficient evidence to support the response;

### **The Role of the Chief Financial Officer (CFO) at ESPO this is the Consortium Treasurer**

CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010) sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The CFO (Consortium Treasurer) is able to bring influence to bear on all material business decisions, ensuring that immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFs and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO, and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management at ESPO.

### **The Role of the Head of Internal Audit**

CIPFA's Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010) sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them. The Head of the Internal Audit Service for ESPO is also the Head of the Internal Audit Service for LCC.

ESPO's internal audit arrangements conform to the governance requirements of the CIPFA Statement. The HoIAS works with the Consortium Treasurer and Secretary, the Director of ESPO and other members of the Leadership Team to give advice and promote good governance throughout the organisation. The HoIAS attends the Finance and Audit Subcommittee and the Management Committee as and when required. The HoIAS also leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Organisation and external stakeholders, escalating any concerns and giving assurance on ESPO's control environment. The HoIAS has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance, risk management and internal control across the Organisation.

### **The Role of the Consortium Secretary**

The Consortium Secretary has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful.
- ensuring that decisions taken are in accordance with ESPO's budget and it's Policy Framework
- providing advice on the scope of powers and authority to take decisions

Where in the opinion of the Consortium Secretary any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Management Committee accordingly, In discharging this role the Consortium Secretary is supported by officers within the County Council's Legal and Democratic Services Teams

#### 4. GOVERNANCE ISSUES

This review of effectiveness has been informed by both Internal and External Audit and the conclusion of the review is that ESPO's overall financial management and corporate governance arrangements during 2016/17 were sound.

*Progress on issues previously identified:*

The table below describes the governance issues identified during 2015/16 and the progress made against this during 2016/17. These are not considered material governance issues:

Key Improvement Area	Update on position	Carry forward for 2017/18	Lead Officer
<u>Business Continuity</u> Up to date Business Continuity plans need to be implemented	Completed	Ongoing Training	Director

Whilst the review of effectiveness concluded ESPO's overall financial management and corporate governance arrangements during 2016/17 are sound, the assurance gathering process identified key corporate areas of improvement. Implementing actions to address these will ensure that identified weaknesses within ESPO's current control environment will be strengthened, and further enhance our overall governance arrangements.

The table below describes identified areas for improvements during the review period 2016/17 to carry forward for monitoring within 2017/18.

Key Improvement Area	Lead Officer	Deadline
<u>Business Continuity</u> Improvement in communication to members of staff. Implementation of training and scenario rehearsals.	Director	March 2018

#### 5. FUTURE CHALLENGES

ESPO continues to face significant challenges in these times of austerity. All such significant risks are detailed within the Corporate Risk Register, which is regularly reviewed by the Leadership Team and presented to the Management Committee. Managing these risks adequately will be an integral part of both the strategic and operational planning for ESPO.

#### 6. CERTIFICATION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the above, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that ESPO has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

John Doherty  
Director

DR. R. K .A. Feltham  
Chairman, ESPO Management Committee