



Annual Governance Statement 2018/19

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 “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 Delivering Good Governance Framework 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 customers. 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 2019 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 Delivering Good Governance Framework, and 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

<p>Description of Governance Mechanisms:</p> <p><i>Evidence and documents that demonstrate compliance / good practice</i></p>	<p>Assurances received</p>
<ul style="list-style-type: none"> • Annual Governance Statement • Performance appraisals • Anti-fraud and anti-corruption policies • Whistleblowing arrangements • Code of Corporate Governance • Financial regulations • Members and Officers Codes of Conduct • Decision making practices/framework • Register of Interests and Gifts and Hospitality • Ethical awareness training and dealing with conflicts of interest • Procedures for responding to behaviour complaints • Protocols for partnership working • Communicating shared values with members, staff, the community and partners 	<ul style="list-style-type: none"> • Registers of Interests and Gifts and Hospitality maintained by the Directorate office and are subject to review and challenge by the Servicing Authority. • Adopted LCC Employee Code of Conduct. 'Dignity At Work' Policy and Procedures provides employees with examples of unacceptable behaviour, and is complemented by other HR policies. • Constitution sets out financial rules and regulations. • Legal advice provided a Commercial Solicitor (Leicestershire county Council Employee). • Adopted LCC Anti-Fraud & Corruption Policy, Strategy and Procedures. • Whistle blowing policy in place and promoted via the intranet. • All members of staff are reminded to review all policies on a regular basis which are available via the intranet. • Members of individual authorities are subject to their own Code of Conduct. • Various training rolled out through E-Learning, certain courses are now mandatory to complete. • Recruitment and Selection training is mandatory for all members of staff who are involved in the recruitment process. • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. • A new Annual Performance Review (APR) process has been launched and this will be completed on a rolling 12 month basis by the line manager and employee. This should relate to individual skills and the business priorities. • Annual Governance Statement produced by compiling and scrutinising information from departmental Self Assessments. • Organisational values considered during PDR, complemented by regular communications displaying the vision and mission statements. • A full review of Values and Behaviours has been undertaken. New values and behaviours, including ethical behaviour have been agreed with the Leadership Team. These are now being communicated and shared throughout the organisation. They are also available on our website. • New induction process implemented in 2017. Part of the HR induction is to ensure new starters are aware of the policies in place and that they have a duty to understand and comply with the policies. APR's and PDR's should take in to account values and ethical behaviour. • High senior level meetings are held to establish standard operating principles, (Management Committee, Chief Officer Group, Senior Officer Group and Leadership Team). • Financial budgets are delegated to the relevant Leadership Team Leader with appropriate authorisation obtained and procurement matters are authorised within the scheme of

	<p>delegation, through pre and post Procurement Panels.</p> <ul style="list-style-type: none">• ESPO has an agreed position with regards to the Modern Slavery Act 2015.• Breaches in law are reported to the appropriate personnel and procedures are in place to handle such referrals.• Appropriate HR Panels regarding disciplinary matters are set up according to the circumstance and type of complaint/matter.• ESPO's contact details are available on the website, should a member of public have any concerns.• There are plans in place for the Organisational Values to be displayed around the ESPO building.• Contract Procedure Rules are reviewed annually with Leicestershire County Council and updated accordingly. They are available on the intranet, ESPO's internal website.• Supplier Code of Conduct is in place which is available on the website.• The Chartered institute of Procurement and Supply (CIPS) standards and principles of ethical awareness applied in ESPO working practices.• Procurement and Contracts Complaints procedures are in place and available.
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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

<p>Description of Governance Mechanisms –</p> <p><i>Evidence and documents that demonstrate compliance / good practice</i></p>	<p>Assurances received</p>
<ul style="list-style-type: none"> • Annual Report • Freedom of Information Act publication scheme • ESPO website • Clear policies on consulting and involving staff in decision making • Full Public meetings with protocols observed as advised by LCC Democratic Services (observing requirements of public reporting, and private session routines for commercially sensitive subject matters) • Annual Statement of Accounts • Database of stakeholders • Communication Strategy • Calendar of dates for submitting, publishing and distributing timely reports • Decision making protocols / records of decisions and supporting materials 	<ul style="list-style-type: none"> • The Statement of Accounts is published every year. The Statement of Accounts have been produced in line with relevant regulations. • 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. • ESPO’s external website is frequently used as a medium to inform and engage with stakeholders. Updates on the homepage inform direct users to key information. • ESPO’s vision and mission statement is prominently displayed in the reception area. • The Annual Report provides information on the year’s outcomes and achievements. • ESPO recognises the importance of consulting, involving and listening to stakeholders so that the organisation can be improved and future plans made. • Regular Member Authority visits are undertaken by the Director to enhance and improve working relations and communicate any relevant and appropriate information as necessary. • Where collaboration takes place, the arrangements are based on trust and a commercial footing which is shared and agreed. In such arrangements “added value”, changing behaviour and challenge is the sole driver for partnership collaboration. • Regular customer surveys are carried out to ensure feedback mechanisms are in place to take in to account stakeholder views. • Alignments of key decision making to the key protocols and delegated powers are set out in the ESPO constitution. • Regular staff briefings take place via the Employee Engagement Group, Director’s briefing, Heads of Service, and the Senior Officers Enablers group. • Regular Trade Union meetings address local issues and consultations which are not covered by the Servicing Authority. • The Medium Term Financial Strategy is communicated to all. • Development of ESPO’s website is in progress to enable greater digital access. • Minutes are available for all Management Committee meetings. • Regular supplier meetings and visits are undertaken as part of the catalogue range strategy. Brand guidelines are followed and clear expectations on our brand and reputation are clearly communicated to all our stakeholders. • Openness and Transparency is one of ESPO five core values.

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

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received
<ul style="list-style-type: none"> • Business Strategy and supporting projects (delivery and strategic) • Service / Business Plans supported by relevant strategies • Communication Strategy • Performance trends and reports on the progress of service delivery • Business and financial planning process • Service Level Agreement in place with the Servicing Authority • Effective performance management system including Key Performance Indicators and identifying areas for improvement 	<ul style="list-style-type: none"> • A strategy which sets out how efficiencies included within the MTFS will be achieved. • Outcomes are delivered through the Assistant Director’s plans and strategies which set out the objectives and targets in relation to ESPO’s priority outcomes. • A communication strategy is in place that is based on a brand survey of our customers, allows us to provide a better service to our stakeholders. • An Annual Commercial Plan is in place which is linked to the MTFS. • Performance trends are reported through the balanced scorecard. Also trends are identified in the monthly and weekly financial reports. • The Annual Report, supported by an approved Medium Term Financial Strategy and Annual Statement of Accounts. • Industry benchmarking measures are undertaken in some departments to determine value for money. For example, competitors’ Annual reports are reviewed. • Following best practice guidelines in managing energy efficiently to reduce the environmental impacts. • An annual budgeting process is in place, which compares actuals to budgets. • A framework model and a National delivery model are in place to ensure fair access to services and catalogue products. • Social Value is covered in most ESPO frameworks and most recently we have entered into a partnership with the Social Value Portal. This will enable ESPO customers to use the portal for the assessment of social value through the SV Portal as and when they run further competition (and should they wish to do so). • In line with LCC policy and the public sector equality duty contained in the Equality Act 2010, ESPO undertakes equality monitoring of its staff and applies the principles set out in the Equality Strategy 2016-2020 and the requirements of the associated Action plan.

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

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received
<ul style="list-style-type: none"> • Finance and Audit Subcommittee • Approved Risk Strategy/Policy • Legal advice provided by officers • Communications strategy • Service Level Agreement in place with the Servicing Authority • Service Business Plans supported by relevant strategies • Business and financial planning process • Effective performance management system, including progress on Key Performance Indicators and identifying areas for improvement • Quality of information provided which supports decision making • Decision making protocols / records of decisions and supporting materials 	<ul style="list-style-type: none"> • Finance and Audit Subcommittee receive reports on the revenue budget and capital programme and performance reports in relation to targets, commitments and action plans arising from inspection and assessment reports. • Terms of References for Committees and decision making protocols are detailed in the Constitution, records of decisions, with supporting materials, can be made available on the Servicing Authority's website. • ESPO's risk management framework is 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. • Members of the Management Committee actively engage and take interest in risk management, including a detailed scrutiny of the Corporate Risk register. This is reported quarterly. • Chief Officer Group Assurance. • External Audit Assurance. • Receiving professional advice and support as and when required to ensure that services are delivered effectively. • Regular customer surveys are undertaken, with a FEEFO (customer feedback) service rating process in place. • Head of Commercial appointed to agree balanced partnership agreements. • Procurement solutions regularly include consideration of Social Value Accounting for the procurement of services.

PRINCIPLE E: Developing ESPO's capacity including the capability of its Leadership Team and all staff members

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

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received
<ul style="list-style-type: none"> • Induction programme • Officer training and development plans • Availability and communication of L&D activities • Performance reviews of officers • Workforce Planning • Member training and development 	<ul style="list-style-type: none"> • New starters receive an induction. 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. • All staff are required to complete mandatory training and for new starters this is issued as part of the induction process. • 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 & Safety Advisor and the Employee Engagement Group provides strategic and operational direction. • Regular Performance Development Reviews, soon to be changed to Annual Performance Reviews, are undertaken throughout the organisation on a regular basis and are aligned to the ESPO strategy. • A 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 are assessed against behaviours which underpin the management competency framework. • Performance management and reporting systems are in place at various levels, allowing outcomes to be cascaded and linked to individual development plans. Training and development needs are discussed at these meetings. • Bespoke training is also available via the Apprenticeship Levy. • Leadership and Training is available to managers. • Continuous benchmarking is carried out to improve reporting and performance at all levels. • Member meetings are held with the Director on a quarterly basis. Also Members are invited to ESPO to review the business and meet officers. • Introductory briefings are carried out for new Members, normally coinciding with the on-site Management Committee meeting. • ESPO has implemented a People Strategy, which covers all areas of staffing and assists in the prioritisation of resources. • ESPO has introduced a Wellbeing Strategy which provides particular focus on the health and wellbeing of staff, which includes the provision of Mental Health first Aiders, free flu vaccinations and various health awareness sessions. Regular works shops are held. • 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, via Director's briefings, team meetings,

	<p>Senior Officers Enabler's group and the Employee Engagement group.</p> <ul style="list-style-type: none">• The 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.• Succession planning is reviewed for each service / department.• ESPO has a dedicated Health & Safety Advisor.
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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

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received
<ul style="list-style-type: none"> • Approved Risk Strategy Policy • Scheme of delegation, standing orders and financial regulations • Constitution is regularly reviewed • Code of Corporate Governance • Annual Governance Statement • Decision making protocols / records of decisions and supporting materials • Medium Term Financial strategy • Statement of Accounts and Annual Report 	<ul style="list-style-type: none"> • A Corporate Risk Register is maintained and reviewed each quarter. This is regularly reported to the Management Committee • An established finance function maintains sound financial frameworks and supports delivery of the MTFs. • The Management Committee maintain an oversight of the management and stewardship of ESPO and the minutes of these meetings are available. • The Constitution sets out the “Responsibility for Functions” including the Scheme of Delegation to the Director. it also includes financial regulations and contract procedure rules, which have been further updated to reflect current delegations and procedures at ESPO. • The Monitoring Officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed. • Regular meetings take place with the Chairman of the Management Committee, the Director and the Servicing Authority. • Assessment of compliance is in place with the CIPFA statement on the role of the Head of Internal Audit and the Public Sector Internal Audit Standards. • The Code of Corporate Governance and Annual Governance statement is maintained and reviewed on a regular basis. • External and internal audit assurance is provided where appropriate. • Terms of Reference for Committee and decision making protocols are detailed in the Constitution, records of decisions, with supporting materials are available. • ESPO, under the Servicing Authority’s guidelines has prepared for the new General Data Protection Regulations which came into force in May 2018. Awareness training has been provided by the Servicing Authority to enable members of staff to prepare for this. • Regular GDPR project groups are held at the Servicing Authority. • Project plans and dashboards ensure service delivery is regularly monitored. • Appropriate IT policies and procedures are in place.

- GDPR information is available on ESPO's website.

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

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received
<ul style="list-style-type: none"> • Approved Risk Strategy Policy • Code of Corporate Governance • Annual Governance Statement • Statement of Accounts and Annual Report • Local Government Transparency Code 2015 • Freedom of Information Scheme • External audit • Compliance to rules and regulations • Health and Safety • Safety certifications 	<ul style="list-style-type: none"> • 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. • ESPO produces a Statement of Accounts and Annual report each year which is audited by the external auditors. • ESPO's website provides a variety of information for review; an example is the Annual Report. • ESPO complies with Freedom of Information requests as appropriate. • The Service Level agreement between ESPO and Leicestershire County Council is available for review. • The 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. • The Internal Audit Service annual plan of audits provides assurance that the governance, risk management and internal control systems of ESPO are operating effectively. • All audit actions are captured and reported to the Leadership team on a quarterly basis. • All statutory deadlines are adhered to on a regular basis. • Various reviews have been undertaken by the Leicestershire County Council Transformation Team to challenge and review systems and processes. • 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 (Lifting Obligations and Lifting Equipment Regulations) certification.

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 (HoIAS) annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The CIPFA/SOLACE Delivering Good Governance in Local Government; Framework (2016) 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

During the financial year 2018-19 Leicestershire County Council Internal Audit Service (LCCIAS) provided internal audit service to ESPO.

LCCIAS conducts its work in accordance with the Public Sector Internal Audit Standards (the PSIAS). The requirements of the PSIAS are contained in the Internal Audit Charter for ESPO mandating the purpose, authority and responsibility of the internal audit activity. Following an independent assessment, in April 2018, LCCIAS was judged to be generally conforming (the highest rating) to the PSIAS. As part of his Annual Report requirements for 2018-19 the Head of Internal Audit Service (HoIAS) conducted a self-assessment of LCCIAS' conformance to the PSIAS. The self-assessment identified that current practices continue to generally conform to the PSIAS. Whilst, a few areas have been identified where action is needed these are not considered significant deviations to the PSIAS.

To meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of ESPO's control environment i.e. its 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 the Corporate Risk Register, 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 and ICT systems and the reports are reviewed by the External Auditor when planning and conducting their audit of the financial statements. A contingency is retained for unforeseen risks, special projects and investigations.

Internal audit reports often contain recommendations for improvements to the area being audited. 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 are unlikely to 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, meetings with the Consortium Secretary and Consortium Treasurer), facilitate the HoIAS in forming the annual internal audit opinion on the overall 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, a review of the Quality Assurance and Improvement Programme and any matters to be raised in the AGS.

For 2018-19 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 attention of the HoIAS. As such reasonable assurance is given that ESPO's governance arrangements are robust.

b. Risk management related audits

Management has displayed a robust attitude to risk and accepted internal audit recommendations which further mitigate risk; 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 regularly 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 2017/18 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 2017/18, 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 Service/Division 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;
- Selecting areas across the range of the seven core principles to test if there was sufficient evidence to support the response;
- Appropriate officers are involved in the identification and determination of any significant governance issues that require incorporation in the Annual Governance Statement prior to its presentation to the Management Committee.

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 (revised 2016) 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 (revised April 2019) 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 Consortium 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 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

A senior Management Group comprising the following officers:

Leicestershire County Council (The Servicing Authority)

- Director of Law and Governance (on behalf of the ESPO Secretary)
- Director of Finance (The Consortium Treasurer)
- Head of Democratic Services
- Head of Internal Audit and Assurance Service

ESPO

- Director of ESPO
- Assistant Director (Finance and Governance at ESPO)

reviewed the draft AGS and determined that whilst there were some areas for improvement, which can be found in the appendices, there were no significant governance issues identified during 2018/19.

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 2018/19 were sound.

Progress on issues previously identified:

The table below describes the governance issues identified during 2017/18 and the progress made against this during 2018/19. These are not considered material governance issues:

Key Improvement Area	Update on position	Carry forward for 2019/20	Lead Officer
<u>Business Continuity</u> Improvement in communication to members of staff. Implementation of training and scenario rehearsals.	Completed	Ongoing Training	Director

Whilst the review of effectiveness concluded ESPO's overall financial management and corporate governance arrangements during 2018/19 are sound, the assurance gathering process identified key minor corporate areas of improvement, please see attached (Appendix 1). 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.

During the review period 2018/19 no significant areas for concern were identified.

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.

As ESPO continues to trade and grow in complex and competitive market places there are a number of future governance challenges to consider:

- The uncertainty around Brexit could impact on the import and export of goods. Aside from the economic impacts there could be more, less or differing bureaucratic requirements placed upon us.
- Legislation as it develops will also be crucial in the future basis of public procurement, IR35 employment legislation or indeed the embedding of GDPR.
- Further issues for consideration will be to achieve the right mix of governance between ESPO the consortium and ESPO Trading Ltd, the former being a local government committee and the later a private trading company with a board and shareholders.
- ESPO will want to consider its workforce and the ability to ensure recruitment and retention is well managed and supports the need of a growing organisation without compromising its standards.
- Lastly the ongoing management of fleet and transport legislation including the O licence will continue to be a fundamental aspect to a well governed 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.

K. Smith
Director of ESPO

Cllr. S. Rawlins
Chairman, ESPO Management Committee

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