



CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013

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

ANNUAL GOVERNANCE STATEMENT 2012/13

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 2012/13 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. The Framework 'Delivering Good Governance in Local Government', published by CIPFA in association with SOLACE in 2007, sets the standard for local authority governance in the UK and the requirement to produce an Annual Governance Statement (AGS). CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains 'fit for purpose' and issued revised guidance.
3. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements, with an increased emphasis on a strategic approach focusing on outcomes and value for money, driven by the significant change being experienced in local government and the introduction of other key legislation. The AGS is an important statutory requirement which enhances public reporting of governance matters.
4. During 2012, a review of all authorities' AGS's was conducted by Grant Thornton. In summary, Leicestershire's AGS was among the best for concluding on the level of assurance achieved but trailed for achieving a balance between comprehensive content and a concise and clear message; and describing action plans to deal with governance issues. Using CIPFA revised guidance and taking into account the Grant Thornton review and its recommendations, the Authority has:
 - a. Changed the format of its AGS to mirror good practice from other authorities;
 - b. Expanded on the section 'review of effectiveness';
 - c. Included key areas for improvement as identified via the assurance gathering process;

- d. Included additional information on significant changes within local government.
- 5. The draft AGS is attached as Appendix 1 and is being presented to the Committee to comply with CIPFA guidance, which requires high level input in order to ensure that the AGS reasonably reflects their knowledge and experience of the Authority's governance and control framework and that suggested areas for improvement are appropriate. Any comments by the Committee will be duly considered and incorporated as appropriate.
- 6. The draft statement has already been considered by the Director of Corporate Resources, Monitoring Officer and Head of Internal Audit. The 'areas of improvement' element of the statement has also been circulated to owners of the relevant actions.

Approach

- 7. There is a statutory requirement in England, for a local authority to conduct, at least once in each financial year, a review of the effectiveness of its system of internal control and overall corporate governance arrangements. This review requires the sources of assurance, which the County Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
- 8. Based on the six principles of good governance described in the revised CIPFA / SOLACE framework, a 'Self Assessment Statement' designed to identify the systems, processes and documents that provide evidence of compliance with the Council's Code of Corporate Governance was circulated to all Directors, requesting an honest critique of the arrangements in place within their department during the financial year 2012-13. The assessment also allowed for the recognition and recording of areas where improvements or developments are required. These statements were signed by the individual Directors.
- 9. A Corporate Assurance Statement was also circulated and completed to capture evidence to gain an overall organisational perspective of processes in place as described by the six core principles. This statement also allowed for the recognition and recording of areas where improvements or developments are required and was signed by the Director of Corporate Resources and the Monitoring Officer.
- 10. 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 internal control environment;
 - c. Analysis of negative media articles.
11. In order to assist the Head of Internal Audit Service's annual opinion on the adequacy and effectiveness of the Authority's governance arrangements, sample checking of the returns and supporting evidence was undertaken by Internal Audit.

Outcome of the 2012/13 Review of the Governance Framework

12. Guidance states that the '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 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 2012/13 review of the Governance Framework identified one significant governance issue that has been included within the Annual Governance Statement:
- I. Adverse publicity about the use of County Council resources by the former Leader of the Council
14. For the AGS to have its intended benefit it is important to be open and honest about the areas for improvement but also to give a balanced view of the organisation. The assurance gathering process identified key corporate areas of improvement and implementing actions to address these will ensure that identified gaps within the County Council's current control environment will be filled and will further enhance the Authority's overall governance arrangements. To this effect, the draft AGS describes identified areas for improvements during the review period 2012/13 to carry forward for monitoring within 2013/14.
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 Governance Statement has been reflected at corporate level and the statement will be signed on behalf of the Authority 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. Review the draft AGS (Appendix 1);
- b. Consider whether it is consistent with the Committee's own perspective on internal control within the Authority;
- c. Consider the governance issues and confirm whether the proposed actions and improvement areas detailed in section 4 of the AGS are acceptable;
- d. Approve the County Council's 2012/13 Annual Governance Statement, [noting that this may be subject to such changes as are required by the Code of Practice in Local Authority Accounting and detailed in paragraph 15 of this Report].

Resource Implications

18. None.

Equal Opportunities Implications

19. None.

Background Papers

Delivering Good Governance in Local Government: Framework – issued by CIPFA / SOLACE, 2007 and 2012;
The 2012/13 Corporate and Departmental Assurance Statements;

Circulation Under the Local Issues Alert procedure

None

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List of Appendices

Appendix 1 – Draft Annual Governance Statement 2012/13

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