



## **DRAFT Annual Governance Statement 2012/13**

### **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, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website and this statement explains how ESPO has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

### **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 2013 and up to the date of approval of the annual report and statement of accounts. ESPO's governance environment is consistent with the six core principles of the CIPFA/SOLACE framework, within each principle we have identified the sources of assurance.

**PRINCIPLE A: Focusing on the purpose of the organisation and on outcomes for our stakeholders and implementing a vision for the future.**

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

- Exercise strategic Chairmanship by developing and clearly communicating the organisation’s purpose and vision and its intended outcome for stakeholders.
- Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.
- Ensure the organisation makes best use of resources and that tax payers and service users receive excellent value for money.

<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>• 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>• Formal complaints policy and procedures that inform positive service improvement</li> <li>• Comparison of information on ESPO’s economy, efficiency and effectiveness of services</li> <li>• Instruction on how to measure Value for Money</li> </ul>	<ul style="list-style-type: none"> <li>• Outcomes are delivered through department 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 performance dashboards. 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>• Formal complaints policy which ensures complaints are tracked and monitored.</li> <li>• A strategy which sets out how efficiencies included within the MTFs will be achieved;</li> <li>• Industry benchmarking measures undertaken in some departments to determine value for money.</li> </ul>	<ul style="list-style-type: none"> <li>• Review complaints arrangements to ensure lessons learned flow through to department action plans.</li> <li>• Enhance benchmarking against other organisations</li> <li>• Improve VFM measures throughout the organisation..</li> </ul>

**PRINCIPLE B: Members and officers working together to achieve a common purpose with clearly defined functions and roles**

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

- Ensure effective Chairmanship throughout the organisation and be clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function;
- Ensure a constructive working relationship exists between organisation members and officers and that the responsibilities of members and officers are carried out to a high standard;
- Ensure relationships between the organisation, its partners and the public are clear so that each knows what to expect of the other.

<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>• Job descriptions for: Director, S151 Officer; Head of Internal Audit</li> <li>• Member/Officer Protocol</li> <li>• Constitution</li> <li>• Scheme of delegation, standing orders and financial regulations</li> <li>• Effective Director and Chairman pairing</li> <li>• Compliance with Role of Chief Financial Officer and Role of Head of Internal Audit</li> <li>• Monitoring officer provisions</li> <li>• Conditions of employment including; appraisal arrangements; pay and conditions policies; structured pay scales</li> <li>• Effective performance management system including progress on Key Performance Indicators and identifying areas of improvement</li> <li>• Business and financial planning process</li> </ul>	<ul style="list-style-type: none"> <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.</li> <li>• Constitution sets out ‘Responsibility for Functions’ including scheme of delegation to the Director. Also includes financial regulations and contract procedure rules.</li> <li>• Regular meetings take place between the Chairman, the Director and the servicing authority.</li> <li>• Assessment of compliance with the Statement on the Role of the CFO and Role of the Head of Internal Audit.</li> <li>• Monitoring Officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed.</li> <li>• Employment Committee at LCC manage and govern all pay matters and are responsible for terms and conditions of service, including remuneration. Pay Policy Statement ensures the ESPO manages its policy on pay and benefits in a fair, non-discriminatory, consistent and transparent way.</li> <li>• Established Finance function maintains sound financial frameworks and supports delivery of MTFS.</li> <li>• Performance reports to relevant committees.</li> </ul>	<ul style="list-style-type: none"> <li>• Finalise agreement to Constitution</li> <li>• Improve scheme of delegation down to lower levels of management</li> </ul>

**PRINCIPLE C: Promoting values for the organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

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

- Ensure organisation members and officers exercise Chairmanship by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensure that organisational values are put into practice and are effective.

<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>• Member and Officers Codes of Conduct</li> <li>• Performance appraisal</li> <li>• Procedures for responding to behaviour complaints</li> <li>• Anti –fraud and anti-corruption policies</li> <li>• Standing orders and financial regulations</li> <li>• Register of Interests and Gifts and Hospitality – members and staff</li> <li>• Ethical awareness training and dealing with conflicts of interest</li> <li>• Communicating shared values with members, staff, the community and partners</li> <li>• Whistleblowing arrangements</li> <li>• Decision making practices/framework</li> <li>• Protocols for partnership working</li> </ul>	<ul style="list-style-type: none"> <li>• AGS produced by compiling and scrutinising information from Departmental Self Assessments, Corporate Assurance Statement and assurance from Internal Audit Service.</li> <li>• Members of individual authorities are subject to their own Code of Conduct</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>• Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers align employees PDR priorities and objectives to the service, department and ESPO’s priorities.</li> <li>• ‘Leading for High Performance’ programme underpins the approach to performance management and covers importance of maintaining strong ethical governance.</li> <li>• Adopted LCC Anti Fraud &amp; Corruption Policy, Strategy and Procedures.</li> <li>• Constitution sets out ‘Meeting Procedure Rules’ and Financial Rules and Regulations</li> <li>• Organisational Values considered during the PDR, complimented by departmental notices displaying visions and achievements. “ESPO Matters” contains information for all staff.</li> <li>• Embedded ‘Whistleblowing’ procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Improve staff awareness of the various codes of conduct, customer care standards, Anti F&amp;C Policy, Whistleblowing , Bribery and Officer and Member Protocol.</b></li> <li>• <b>Refresh existing Anti F&amp;C Policy, Strategy and Procedures</b></li> </ul>

**PRINCIPLE D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

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

- Be rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny;
- Have good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs;
- Ensure that an effective risk management system is in place;
- Use their legal powers to the full benefit of the stakeholders and communities in their area.

<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 Committee</li> <li>• Internal Audit function</li> <li>• Decision making protocols / records of decisions and supporting materials</li> <li>• Members’ and officers’ code of conduct</li> <li>• Terms of reference and membership</li> <li>• Training for committee members including information needs to support decision making</li> <li>• Calendar of dates for submitting, publishing and distributing timely reports</li> <li>• Approved Risk Strategy/Policy</li> <li>• Effective counter fraud arrangements</li> <li>• Legal advice provided by officers</li> </ul>	<ul style="list-style-type: none"> <li>• Finance and Audit Committee 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 provide assurance that the internal control systems of ESPO are operating effectively.</li> <li>• Terms of References for Committees and decision making protocols are detailed in the Constitution - records of decisions, with supporting materials are available through the Decision Enquiry System.</li> <li>• ESPO’s risk management framework recently aligned with local government best practice – providing assurance to senior management, Members and public that ESPO is mitigating the risks of not achieving key priorities.</li> <li>• Members of the Finance and Audit Committee actively engage and take interest in risk management, including detailed scrutiny of the Corporate Risk Register.</li> <li>• Monitoring of reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase/Improve Risk management awareness throughout the organisation.</li> </ul>

**PRINCIPLE E: Developing the capacity and capability of members and officers to be effective**

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

- Make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles;
- Develop the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
- Encourage new talent for membership of the organisation so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

<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>• Induction programme</li> <li>• Officer training and development plans</li> <li>• Availability and communication of activities</li> <li>• Performance reviews of officers</li> <li>• Succession Planning</li> <li>• Member training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Learning and Development Plans approved by LCC and are reviewed and updated on a periodic basis enabling LCC L&amp;D service to respond to need not anticipated or known at the beginning of the training plan process.</li> <li>• Induction available to all managers and staff with core training provided for specific roles.</li> <li>• Relevant L&amp;D activities communicated through intranet, email updates, newsletters, briefings and staff workers groups.</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 engagement meetings cover functional roles and responsibilities of ESPO</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Lack of succession planning in place for relevant posts</b></li> </ul>

**PRINCIPLE F: Engaging with stakeholders to ensure robust public accountability**

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

- Exercise Chairmanship through a robust scrutiny function which effectively engages all local institutional stakeholders, including partnerships, and develops constructive accountability relationships;
- Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service;
- Make best use of human resources by taking an active and planned approach to meet responsibility to staff.

<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>• Database of stakeholders</li> <li>• Annual report</li> <li>• Communication Strategy</li> <li>• Annual financial statements</li> <li>• Freedom of Information Act publication scheme</li> <li>• ESPO Website</li> <li>• Best practice standards in recruitment and staff terms and conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Full public annual report providing information on outcomes, achievements, satisfaction and progress against key priorities and plans.</li> <li>• ESPO recognise the importance to consult, involve and listen to stakeholders so that services can be improved and future plans made.</li> <li>• Communication strategy based on a brand survey.</li> <li>• The Account Statements set out the published statement of accounts of the Organisation year on year. The accounts have been produced in line with the various regulations that govern local organisation accounting.</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.</li> <li>• Recruitment undertaken in accordance with policy and procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Improve handling of FOI requests.</b></li> <li>• <b>Update database of stakeholders</b></li> <li>• <b>Improve links to LCC website for Committee papers and minutes.</b></li> </ul>

### 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 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 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 2012-13, Leicestershire County Council Internal Audit Service (LCCIAS) provided internal audit service to ESPO. LCCIAS conformed to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code). The Code requires the Head of Internal Audit Service (HoIAS) to give an annual opinion on the overall adequacy and effectiveness of ESPO's internal control environment i.e. its framework of governance, risk management and control.

##### *Governance related internal audit work*

During the financial year 2012/12 a detailed audit of ESPO's approach to preparing its Annual Governance Statement (AGS) revealed areas for improvement. During 2012/13 based upon recommendations, relevant action has been undertaken to improve processes and this has been acknowledged by the HoIAS through the preparation of the current AGS

Implementation of the ESPO Change Programme, has included input by Member authorities, Servicing Authority specialists, ESPO management and LCCIAS and this has resulted in a stronger governance framework, with clear functions, roles, responsibilities and levels of delegation.

The formation and development of the Finance and Audit Subcommittee with its range of functions including receiving internal audit plans, reports and evaluations, has strengthened the governance, transparency and accountability of ESPO management, the Servicing Authority through the Consortium Treasurer and Secretary and the Head of Internal Audit Service.

The Head of Internal Audit Service has concluded based on the findings of work undertaken that overall, there has been a substantial strengthening of ESPO's governance arrangements and the general direction of travel for future governance arrangements is positive.



*Risk management related internal audit work*

During the year, detailed specific audits of ESPO's risk management framework and its business continuity arrangements were undertaken. Actions to implement improvement recommendations have been agreed and ESPO management has identified the area for continuing focus.

Other 'risk based' audits were conducted to ensure that ESPO management identifies, evaluates and manages risk to achieving its objectives i.e. ensuring controls are in place to reduce risk exposure. Examples included: processes for the financial vetting of suppliers; supplier performance monitoring; compliance with procurement directives; pre-employment checks and health and safety compliance. The HoIAS has concluded overall, that ESPO has a robust risk management framework but should continue to implement plans to improve awareness of risk management beyond strategic management level.

*Internal Financial (and ICT) Controls related internal audit work*

A number of financial system audits were undertaken on ESPO's general ledger activities and other operational financial systems. The HoIAS concluded overall that general 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 refresh of the framework aims to ensure that links to Departmental Risk Registers are strengthened, thereby ultimately improving the flow of risk information throughout the Organisation. This revision also included a refresh of the Corporate Risk Register and Risk Management Policy and Strategy – these along with supporting documentation, form an integrated framework that supports the ESPO in the effective management of risk.

The new structure will enhance the effectiveness of the current approach to managing risks by developing and applying a more quantitative approach to decision making processes throughout ESPO. In implementing a management of risk system, ESPO seeks to provide assurance to all our stakeholders that the identification, evaluation and management of risk play a key role in the delivery of our strategy and related objectives.

**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 2011/12 Statement of Accounts, incorporating value for money conclusion*

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 2011/12, 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.

ESPO is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Having regard to the guidance on the specified criteria by the Audit Commission, external auditors are satisfied that, in all significant respects, ESPO put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

**Organisational Governance and Performance Framework**

The Senior Management Team receives a quarterly Organisational Governance Scorecard, which includes information relating to:

- Audit and risk management;
- 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 ESPO's Code of Corporate Governance. 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 Head of Internal Audit Service's opinion on the adequacy and effectiveness of the Organisation's governance arrangements, 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 Directors' to confirm their involvement;
- Selecting areas across the range of the six core principles to test if there is sufficient evidence to support a department's response;
- Quick interviews with re-elected Members;
- Quick surveys of staff to evaluate their knowledge of department and corporate principles, plans and policies.

Findings were reported to a senior management group and concluded the following:-

### **The Role of the Chief Financial Officer (CFO)**

CIPFA has issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The statement 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 of ESPO is also the CFO of LCC.

ESPOs' financial arrangements fully conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. As CFO, the Director of Corporate Resources is a key member of the ESPO servicing authority liaison committee and is responsible for the proper administration of ESPO's financial arrangements and leads a fully resourced and suitably qualified Strategic Finance Function. The CFO is actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFs and other corporate strategies. The CFO has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance and financial management across the Organisation.

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

CIPFA has issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The statement 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 Service arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The Head of Internal Audit Service (HoIAS) works with key members of the Senior Management Team to give advice and promote good governance throughout the organisation. The HoIAS attends the Finance and Audit Sub Committee 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 audit across the Organisation.

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 below.

## **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 2012/13 are sound.

*Progress on issues previously identified:*

The table below describes the governance issues identified during 2011/12 and the progress made against this during 2012/13:

Issue	Update on position	Carry forward for 2013/14	Lead Officer
<ul style="list-style-type: none"> <li>• Update the Constitution and Partnership Agreement including the introduction of a Code of Corporate Governance.</li> <li>• Sourcing arrangements with one or more other consortia including Government Procurement Service (GPS)</li> <li>• Introduction of improved risk management procedures</li> <li>• Better engagement of member authorities with key issues.</li> </ul>	<ul style="list-style-type: none"> <li>• An updated Constitution and Partnership Agreement has been prepared and submitted to members for approval. A Code of Corporate Governance has been adopted.</li> <li>• A number of detailed discussions have been held with GPS and other PBO's.</li> <li>• Updated Risk Management Statement presented to Members March 2013.</li> <li>• Regular face to face meetings between the Director and Members.</li> </ul>	<ul style="list-style-type: none"> <li>• Approval by individual Member Authorities</li> <li>• Continued development of these arrangements</li> <li>• Annual Review</li> <li>• Continuation of these arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring Officer</li> <li>Director</li> <li>Director</li> <li>Director</li> </ul>

Whilst the review of effectiveness concluded ESPO's overall financial management and corporate governance arrangements during 2012/13 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 2012/13 to carry forward for monitoring within 2013/14.

Key Improvement Area	Lead Officer	Deadline
<u>Complaints</u> Review complaints arrangements to ensure lessons learned flow through to department action plans.	Director	December 2013
<u>Benchmarking</u> Enhance benchmarking against other organisations by including cost base efficiency as well as competitive pricing.	Director	March 2014
<u>Value for Money</u> Improve VFM measures throughout the individual departments to ensure all stakeholders receive the best value for money service.	Director	December 2013
<u>Constitution and Partnership Agreement</u> Finalise agreement to Constitution and Partnership Agreement with individual Members.	Monitoring Officer	September 2013
<u>Scheme of Delegation</u> Improve scheme of delegation down to lower levels of management.	AD Finance	September 2013
<u>Internal Communication</u> Improve staff awareness of the various codes of conduct, customer care standards, Anti F&C Policy, Whistleblowing, Bribery and Officer and Member Protocol.	Director	September 2013
<u>Anti Fraud &amp; Corruption</u> ESPO assesses itself against the Audit Commission's 'Protecting the Public Purse' (PPP) and the National Fraud Authority (NFA) Counter Fraud checklist to increase understanding of fraud exposure and direct potential improvements. Refreshing and aligning ESPO's existing policy, strategy and procedures to guidance within the NFA Fighting Fraud Locally, Local Government Fraud Strategy, will enhance arrangements to create fraud awareness and further emphasise ESPO's zero tolerance towards fraud.	Director	September 2013
<u>Risk Management</u> Improve risk management awareness throughout the organisation and continue to embed risk management at operational level.	AD Finance	September 2013
<u>Succession Planning</u> There is a lack of succession planning for key posts. A review of key roles and responsibilities will be undertaken	Director	December 2013
<u>FOI requests</u> Improve handling of FOI requests such that a more robust procedure is in place.	Director	September 2013
<u>Stakeholder Database</u> Prepare database to ensure all areas of public accountability is properly administered.	Director	September 2013
<u>Improve links to LCC website for Committee papers and minutes.</u> Development and maintaining of ESPO website to establish a direct link to the LCC website to ensure that relevant Committee papers and minutes can be accessed and viewed	AD Finance	December 2013

**5. CERTIFICATION**

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 4. 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.

John Doherty  
Director

Councillor S Rawlins  
Chairman, ESPO Management Committee