

Wiltshire Council

Standards Committee

10 July 2013

Cabinet

23 July 2013

Subject: Draft Annual Governance Statement 2012-13

Cabinet member: Councillor Dick Tonge
Finance, performance, risk, procurement and welfare reform

Key decision: No

Executive Summary

1. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2012-13. This will form part of the Annual Statement of Accounts for 2012-13.
2. Section C of the AGS describes the Council's governance framework for the relevant period. The final version will need to reflect the position up to the date of approval and signature in September 2013.
3. Section D provides a review of the effectiveness of the Council's governance framework.
4. The Council's internal auditors, SWAP (South West Audit Partnership) have given an overall audit opinion of reasonable assurance on the adequacy and effective operation of the Council's control environment in 2012-13. This is supported by the finding of the Council's external auditors, KPMG, that the Council's organisational control environment is effective overall.
5. The following have been identified as significant governance issues at this stage:
 - Safeguarding Children and Young People
 - Managing significant reductions in Government funding and changes in legislation
 - Information security
6. Details of these issues are set out at paragraph 83 in Section E of the draft AGS.

Proposal

Cabinet and the Standards Committee are, therefore, asked:

- a. to consider the draft AGS as set out in Appendix 1 and make any amendments or observations on the content as they deem appropriate;
- b. to note that the draft AGS will be revised in the light of any comments by Cabinet, the Standards Committee, and ongoing work by the Governance Assurance Group before final consideration by the Audit Committee on 4 September 2013 and publication by 30 September 2013.

Reason for Proposal

To prepare the AGS 2012-13 for publication in accordance with the requirements of the Audit and Accounts Regulations 2011.

Ian Gibbons
Solicitor to the Council and Monitoring Officer

Purpose of the report

1. To ask Cabinet and the Standards Committee to consider a draft Annual Governance Statement for 2012-13 for comment before final approval is sought from the Audit Committee on 4 September 2013.

Background

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2012-13. This will be signed by the Leader of the Council and the Corporate Directors after final approval by the Audit Committee on 4 September 2013. The AGS will form part of the Annual Statement of Accounts for 2012-13.
3. Based on advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), the AGS should include:
 - an acknowledgement of responsibility for ensuring there is a sound system of governance, incorporating the system of internal control;
 - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
 - a brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;
 - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
 - an outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.
4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the six principles of good governance adopted in its Code of Corporate Governance. These principles are:
 - focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
 - councillors and officers working together to achieve a common purpose with clearly defined functions and roles;

- promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - taking informed, risk-based and transparent decisions which are subject to effective scrutiny and managing risk;
 - developing the capacity and capability of councillors and officers to be effective;
 - engaging with local people and other stakeholders to ensure robust accountability.
5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2012-13, but must take account of any significant issues of governance up to the date of publication in September 2013. The AGS should outline the actions taken or proposed to address any significant governance issues identified.
 6. The AGS is drafted by members of the Governance Assurance Group, which comprises senior officers who have lead roles in corporate governance and a member representative from the Audit Committee.
 7. The evidence for the AGS comes from a variety of sources, including assurance statements from service directors, relevant lead officers within the organisation, internal and external auditors and inspection agencies.

Draft AGS - Content

8. A copy of the latest draft AGS is attached at Appendix 1.
9. The draft has been amended as shown tracked to reflect the comments of the Audit Committee on 18 June 2013. An extract of the Audit Committee's minutes is attached at Appendix 2.
10. The draft reflects the elements described in paragraph 3 of this report and has regard to revised guidance from CIPFA. The draft is based on work undertaken to date and will be revised in the light of further work by the Governance Assurance Group and any observations of the Cabinet, the Standards Committee and the Council's external auditors, KPMG.
11. Section C of the AGS describes the Council's governance framework for the relevant period. The final version will need to reflect the position up to the date of approval and signature in September 2013.
12. Section D provides a review of the effectiveness of the Council's governance framework. This section has been structured to reflect the key governance principles set out in the Council's Code of Corporate Governance.

13. The levels of assurance obtained from the range of audits completed during the year has led the Council's internal auditors, SWAP (South west Audit Partnership), to the overall audit opinion that for 2012-13 it is able to give reasonable assurance on the adequacy and effective operation of the Council's overall control environment. KPMG's interim audit report 2012-13 supports this in its finding that the Council's organisational control environment is effective overall.
14. The Governance Assurance Group has obtained assurance statements from directors in relation to their services. These are being reviewed and any issues which impact upon the Council's governance arrangements will be covered in the AGS.
15. Section E of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period.
16. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:
 - the issue has seriously prejudiced or prevented achievement of a principal objective;
 - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
 - the issue has led to a material impact on the accounts;
 - the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
 - the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
 - the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
 - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
17. The following have been identified as significant governance issues at this stage:
 - Safeguarding Children and Young People
 - Managing significant reductions in Government funding and changes in legislation
 - Information security

18. Details of these issues are set out at paragraph 83 of the draft AGS.
19. The Assurance Group will continue to review the various sources of assurance and any variation or further significant governance issues that are identified will be reported to the meeting of Audit Committee in September for final consideration and approval.
20. KPMG will be consulted on the draft AGS and their comments will be taken into account in the presentation of the final version to the Audit Committee.

Financial implications

21. There are no financial implications arising directly from the issues covered in this report.

Risk Assessment

22. The production of the AGS is a statutory requirement. Ongoing review of the effectiveness of the Council's governance arrangements is an important part of the Council's risk management strategy.

Environmental Impact

23. There is no environmental impact regarding the proposals in this report.

Equality and Diversity Impact

24. There are no equality and diversity issues arising from this report.

Reasons for the Proposal

25. To prepare the AGS 2012-13 for publication in accordance with the requirements of the Audit and Accounts Regulations.

Proposal

26. Cabinet and the Standards Committee are, therefore, asked:
 - a. to consider the draft AGS as set out in Appendix 1 and make any amendments or observations on the content;
 - b. to note that the draft AGS will be revised in the light of any comments by Cabinet, the Standards Committee, and ongoing work by the Governance Assurance Group before final consideration by the Audit Committee on 4 September 2013 and publication by 30 September 2013.

Ian Gibbons
Solicitor to the Council and Monitoring Officer

Report Author: Ian Gibbons

Unpublished documents relied upon in the production of this report:

None.

Appendices:

Appendix 1 - draft Annual Governance Statement 2012-13

Appendix 2 - extract from draft minutes of Audit Committee 20 June 2012