

# AGENDA SUPPLEMENT (1)

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**Meeting:** Audit  
**Place:** Council Chamber - Council Offices, Monkton Park, Chippenham,  
SN15 1ER  
**Date:** Wednesday 4 September 2013  
**Time:** 1.00 pm

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**The Agenda for the above meeting was published on 23 August 2013 and indicated that the report detailed below would be to follow. This is now available and is attached to this Agenda Supplement.**

Please direct any enquiries on this Agenda to Stuart Figini, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line (01225) 718376 or email [stuart.figini@wiltshire.gov.uk](mailto:stuart.figini@wiltshire.gov.uk)

Press enquiries to Communications on direct lines (01225)713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at [www.wiltshire.gov.uk](http://www.wiltshire.gov.uk)

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7 **Annual Governance Statement** *(Pages 1 - 28)*

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DATE OF PUBLICATION: 27 August 2013
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**Wiltshire Council**

**Agenda Item No.**

**Audit Committee**

**4 September 2013**

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

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### **Purpose of the report**

1. To ask the Audit Committee to approve the Annual Governance Statement for 2012/13 for publication with the Statement of Accounts.

### **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.
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 completion 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 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 range of sources, including assurance statements from service directors, relevant lead officers within the organisation, and external auditors and inspection agencies.
8. A draft AGS was considered by the Audit Committee on 18 June 2013, by the Standards Committee on 10 July 2013 and by Cabinet on 23 July 2013. Relevant extracts from the minutes of these meetings are attached at Appendix 1. The AGS has been revised to reflect the comments received - see paragraph 15 which clarifies the status of Wiltshire Police and Crime Panel.
9. Further changes have been made since the last Audit Committee meeting on 18 June 2013 as follows:

Paragraphs 11 and 53	Refers to the new Business Plan 2013 – 17 which is due for consideration by full council on 3 September 2013.
Paragraph 31	Reflects council's decision on 9 July 2013 on the discharge of the statutory of Head of Paid Service by the corporate directors.
Paragraph 33	Minor change in the reference to the South West Audit Partnership (SWAP)
Paragraph 65	SWAP overall audit opinion of reasonable assurance added.
Paragraphs 66 – 67	Key messages from KPMG's report to those charged with governance 2012-13 added.
Paragraph 81	Updated position on the significant governance issues.

9. The draft AGS has also been reviewed by the Council's external auditors, KPMG LLP who have confirmed that:

- the AGS complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA / SOLACE in June 2007; and
- it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

### **Proposed AGS 2012/13**

10. A copy of the proposed AGS for 2012/13 is attached at Appendix 2.

9. The draft reflects the elements described in paragraph 3 of this report and has regard to revised guidance from CIPFA.

11. Section C of the AGS describes the Council's governance framework for the relevant period, namely April 2012 to date.

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. Internal Audit has given an 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.
14. Section E of the AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period.
15. 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.
16. The following have been identified as significant governance issues:
  - Safeguarding children and young people;
  - Managing significant reductions in Government funding and changes in legislation;
  - Information security.
17. Details of these significant governance issues are set out at paragraph 83 of the AGS.
18. The Assurance Group has reviewed assurance statements from directors in relation to their services. There are no significant governance issues identified, other than those set out in Section E.

## **Financial implications**

19. There are no financial implications arising from this report.

## **Risk Assessment**

20. 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**

21. There is no environmental impact arising from the proposals in this report.

## **Equality and Diversity Impact**

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

**Ian Gibbons**

**Director of Law and Governance and Monitoring Officer**

Report author: Ian Gibbons / Nina Wilton

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## **Unpublished documents relied upon in the production of this report:**

The CIPFA Finance Advisory Network - The Annual Governance Statement

Appendices:

Appendix 1     Extract from Minutes of Audit Committee on 18 June 2013,  
                         Standards Committee on 10 July 2013 and Cabinet on 23 July  
                         2013.

Appendix 2     Draft Annual Governance Statement 2012/13

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# Annual Governance Statement

2012-13



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Promoting high standards of conduct and behaviour, and establishing and articulating the authority's values to members, staff, the public and other stakeholders

Taking informed, risk based and transparent decisions which are subject to effective scrutiny

Developing the capacity of councillors and officers to be effective in their roles

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Significant Governance Issues

## A. Scope of Responsibility

1. Wiltshire Council 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. The Council 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.
2. In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, including the management of risk, and facilitating the effective exercise of its functions.

## B. The Purpose of the Governance Framework

3. The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
4. The assurance framework and the system of internal control are significant parts of that framework. They are designed to manage risk to a reasonable level. They 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 assurance framework and the system of internal control are based on an ongoing process that is designed to:
  - identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
  - evaluate the likelihood of those risks being realised;
  - assess the impact of the risks if they are realised;
  - manage the risks efficiently, effectively and economically.
5. The assurance framework also provides a mechanism for monitoring and implementing a system of continuous governance improvement.
6. The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts for 2012/13.

## C. The Governance Framework

7. The Council's governance framework comprises a broad range of strategic and operational controls, which work together to ensure the sound operation of the Council. The key elements are summarised below.
8. Documents referred to are available from the Council or may be viewed on the Council's website ([www.wiltshire.gov.uk](http://www.wiltshire.gov.uk)).
9. The review of the Council's governance arrangements, through the Annual Governance Statement, has taken account of best practice identified in the CIPFA/Solace guidance Delivering Good Governance in Local Government, Addendum 2012.

### Purpose and Planning

10. The Council's vision and goals are set out in its 4 year Business Plan, which was adopted by the Council on 22 February 2011. The Council's vision is to create stronger and more resilient communities and in support of this it has the following goals:

- provide high quality, low cost customer focused services;
- ensure local, open and honest decision making;
- working with our partners to support Wiltshire's communities.

11. The Business Plan is supported by a Financial Plan, which demonstrates how it will be funded. The management of the Council's strategic risks helps achieve the Council's objectives.

Following the unitary elections in May 2013 a new Business Plan for 2013-17 has been developed which is due to go before full council for approval on 3 September 2013.

### Policy and Decision-Making Framework

12. The Council's Constitution provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent and accountable.
13. The Constitution defines the role and responsibilities of the key bodies in the decision-making process - the Council, Cabinet, and Committees, including the Strategic Planning Committee, Area Planning Committees, Licensing Committee, Overview and Scrutiny Committees, Standards Committee, Audit Committee, Staffing Policy Committee, Officer Appointments Committee and Area Boards.

14. The council has established a Health and Well-being Board in accordance with requirements under the Health and Social Care Act 2012. The Board is a committee of the council with a strategic leadership role in promoting integrated working between the council and the NHS, and in relation to public health services. It is the key partnership and focal point for strategic decision making about the health and well-being needs of the local community.<sup>5</sup> The council has also established the Wiltshire Police and Crime Panel to review and scrutinise decisions of the Police and Crime Commissioner. The Panel is a joint committee with Swindon Borough Council.
16. The Constitution is reviewed regularly by the Monitoring Officer and the Standards Committee through its Constitution Focus Group to ensure that it reflects changes in the law and remains fit for purpose.
17. The Leader and Cabinet are responsible for discharging the executive functions of the Council, within the budget and policy framework set by the Council, and some of this is delegated to Area Boards.
18. The Council publishes a Forward Work Plan once a month giving details of all matters anticipated to be considered by the Cabinet over the following 4 months, including items which constitute a key decision<sup>1</sup>
19. Schemes of Delegation are in place for Cabinet Committees, Cabinet Members and Officers to facilitate efficient decision-making. The Leader has established two Cabinet Committees - the Cabinet Capital Assets Committee and the Cabinet Business Relief Committee.
20. The Council has established 18 area committees known as Area Boards. Each area board exercises local decision making under powers delegated by the Leader.
21. The Council's overview and scrutiny arrangements consist of a management committee and 3 select committees covering Children's Services, Environment, and Health. These committees establish standing and ad hoc task groups to undertake detailed reviews. Rapid scrutiny exercises also provide opportunities where there are time constraints. Scrutiny member representatives can also be appointed to boards of major projects.
22. These arrangements serve to hold the Cabinet, its Committees, individual Cabinet Members and officers to public account for their executive policies, decisions and actions.

<sup>1</sup> 'Key decisions' are defined in Paragraph 9 of Part 1 of the Constitution. They include any decision that would result in the closure of an amenity or total withdrawal of a service; any restriction of service greater than 5%; any action incurring expenditure or producing savings greater than 20% of a budget service area; any decision involving expenditure of £ 500,000 or more, (subject to certain exceptions), any proposal to change the policy framework; any proposal that would have a significant effect on communities in an area comprising two or more electoral divisions.

23. The Standards Committee is responsible for:

- promoting and maintaining high standards of conduct by Members and Officers across the Council;
- determination of complaints under the Members' Code of Conduct;
- oversight of the Constitution, overview of corporate complaints handling and Ombudsman investigations, and the whistle blowing policy.

24. The Localism Act 2011 introduced a new standards regime, which came into effect on 1 July 2012. As part of this the council published a new code of conduct for members and established arrangements for dealing with complaints under the code for Wiltshire unitary and parish councillors, including the appointment of 3 independent persons in accordance with the new statutory requirements.

25. The Audit Committee is responsible for:

- monitoring and reviewing the Council's arrangements for corporate governance, risk management and internal control;
- reviewing the Council's financial management arrangements and approving the annual Statement of Accounts;
  - focusing audit resources
- monitoring the effectiveness of the internal and external audit functions;
- monitoring the implementation of agreed management actions arising from audit reports.

#### Wiltshire Pension Fund

26. The Wiltshire Pension Fund is overseen by the Wiltshire Pension Fund Committee. This Committee has its delegated power from the full Council, rather than the Executive (Cabinet), so as to avoid any conflict of interest (e.g. in relation to the setting of employer contributions).

27. This Committee is responsible for all aspects of the fund, including:

- the maintenance of the fund;
- preparation and maintenance of policy, including funding and investment policy;
- management and investment of the fund;
- appointment and review of investment managers;
- monitoring of the audit process.

28. The Wiltshire Pension Fund Committee exercises its responsibilities in relation to investment management when it sets investment policy and appoints/monitors external investment managers.

## Regulation of Business

29. The Constitution contains detailed rules and procedures which regulate the conduct of the Council's business. These include:

- Council Rules of Procedure
- Budget and Policy Framework Procedure
- Financial Regulations and Procedure Rules
- Procurement and Contract Rules
- Members' Code of Conduct
- Officers' Code of Conduct
- Corporate Complaints Procedure

30. In April 2012 the Council completed a programme of work which resulted in the successful transfer and integration of the Public Health function in Wiltshire. A robust governance framework for Public Health was agreed and transferred.

31. The statutory officers - the Head of Paid Service (see note below in this paragraph), the Monitoring Officer (Solicitor to the Council) and the Chief Finance Officer have a key role in monitoring and ensuring compliance with the Council's regulatory framework and the law. The statutory officers are supported in this role by the Council's HR, legal and democratic services, finance, governance and procurement teams, and also by the internal audit service.

32. Internal Audit services in Wiltshire are provided through a partnership with South West Audit Partnership.

33. The following bodies have an important role in ensuring compliance:

- Audit Committee
- Overview and Scrutiny Committees and Task Groups
- Standards Committee
- Internal Audit (this function is provided externally by the South West Audit Partnership (SWAP))
- External Audit and Inspection Agencies.

34. The Council has established a Governance Assurance Group whose membership is composed of senior officers with lead responsibility for key areas of governance and assurance, together with an elected member who is the vice-chair of the Audit Committee. Other officers and members attend by invitation to provide the Group with information about issues on which it is seeking assurance. Officers can also bring any concerns about the Council's governance arrangements forward to the Group for consideration.

<sup>2</sup>. The Corporate Leadership Team comprises the three Corporate Directors, supported by the Chief Finance Officer / Section 151 Officer, Solicitor to the Council / Monitoring Officer, Service Director HR and Organisational Development and the Director of Communications

35. The Governance Assurance Group meets monthly and has a forward work plan. It is responsible for gathering evidence for and drafting the Annual Governance Statement. It identifies any potential significant governance issues throughout the year, and seeks assurance on the effectiveness of measures to address these. It has a key role in promoting and supporting sound governance across the organisation and reports as required to the Corporate Leadership Team.<sup>3</sup>

## Management of Resources, Performance and Risk

### Financial management

36. Financial management and reporting is facilitated by:

- Regular reports to Cabinet on the Council's Revenue Budget and Capital Programme;
- Regular review by the Corporate Leadership Team;
- Regular consideration of these reports by the Budget and Performance Task Group;
- Budget monitoring by Service Managers;
- Compliance with the Council's Budgetary and Policy Framework, Financial Regulations and Financial Procedure Rules;
- Compliance with external requirements, standards and guidance;
- Publication of Statement of Accounts;
- Overseeing role of the Audit Committee.

37. The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, issued in 2010.

### Performance and Risk Management Reporting

38. The Council's Business Plan sets out how the Council will:

- Protect our most vulnerable citizens by investing in their services;
- Invest in the future of Wiltshire by enhancing key service areas;
- Keep the council tax low;
- Make savings to cover the cut in government funding and projected investments.

<sup>3</sup>

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The role of Head of Paid Service was discharged by the Service Director, HR and Organisational Development until July 2013 when the council agreed that the role should be discharged by one of the corporate directors, Maggie Rae, pending consideration of a further report in November 2013 on how this would operate on a rotational basis between the three corporate directors)



39. The Business Plan is supported by the Risk Management Strategy. This is reviewed annually to ensure that risk management arrangements remain effective.
40. The Corporate Leadership Team receive quarterly reports detailing the risks that impact upon the strategic objectives of the Council. The Audit Committee receives reports every six months on the effectiveness of the risk management processes within the Council and its partnerships. Exception reports are submitted as and when required.
41. Risks are identified and monitored by service areas. Risks that are deemed significant are referred to the Corporate Risk Management Group (CRMG) for challenge and review. Reports are issued on the significant risks through the Council's reporting arrangements. Training on Risk Management is delivered to Members annually, including the development of specific training for staff involved in risk management arrangements as a result of their work.
42. The risks associated with major projects are managed through project management arrangements with regular reporting to the relevant boards and member bodies.
43. The Council's Business Continuity Policy provides a framework to maintain and develop business continuity arrangements at both corporate and service levels. It sets out the responsibilities of different management levels and groups as part of this process.

#### Internal Audit

44. The main role of Internal Audit is to provide an independent and objective opinion on the Council's control environment.
45. Internal Audit has the following additional responsibilities:
  - providing support to the Chief Finance Officer in meeting his responsibilities under Section 151 of the Local Government Act 1972, to make arrangements for the proper administration of the Council's financial affairs;
  - investigating any allegations of fraud, corruption or impropriety;
  - advising on the internal control implications of proposed new systems and procedures.
46. The annual Internal Audit Plan is based on an assessment of risk areas, using the most up to date sources of risk information, in particular the Council's Corporate and Service Risk Registers. The Plan is agreed with Corporate Directors, and presented to the Audit Committee for approval. The Committee receives reports of progress against the plan throughout the year. The Internal Audit Annual Report summarises the results and conclusions of the audit work throughout the year, and provides an audit opinion on the internal control environment for the Council as a whole.

## External Audit and Inspections

47. The Council is subject to audit by its external auditors, KPMG LLP, specifically in relation to the Council's financial statements and achievement of value for money (VFM). It is also subject to reviews by external inspection agencies, OFSTED, and the Care Quality Commission (CQC). The outcomes of external audit work and inspections are used to help strengthen and improve the Council's internal control environment and help secure continuous improvement.

## Directors' Assurance Statements

48. Service directors' assurance statements have been reviewed by the Governance Assurance Group. Any significant governance issues identified are included in Section E.

## Monitoring Officer

49. The Monitoring Officer has not made any adverse findings in the course of the exercise of his statutory responsibilities.

## D. Review of Effectiveness

50. The Council 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 executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Council's internal audit function, and also by reports of external auditors and other review agencies and inspectorates.

51. The key principles of corporate governance are set out in the Council's Code of Corporate Governance as follows:

- Focusing on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area;
- Engaging with local people and other stakeholders to ensure robust public accountability;
- Ensuring that members and officers work together to achieve a common purpose with clearly defined functions and roles;
- Promoting high standards of conduct and behaviour, and establishing and articulating the Council's values to members, staff, the public and other stakeholders;
- Taking informed, risk based and transparent decisions which are subject to effective scrutiny; and
- Developing the capacity of members and officers to be effective in their roles.

52. The effectiveness of the Council's assurance framework and system of internal control is assessed against these six principles.

**Focus on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area**

53. The Council's vision and goals are set out in its Business Plan 2011- 2015. This is consistent with the long term priorities that are set out in the Community Plan 2011- 2026. Council will be asked to approve a new Business Plan for 2013 -17 on 3 September 2013.

**Engaging with local people and other stakeholders to ensure robust public accountability**

54. The development of Wiltshire's area boards has played a key role in ensuring robust public accountability and engagement. The governance arrangements for the area boards are set out in the Council's Constitution. By the end of 2012 over 50% of items on Area Board agendas were resulting in local decisions.

55. During 2012/13 the Council introduced new ways of monitoring Area Board outcomes, including clearer reporting on outcomes from the JSA community conferences held in 2012, enhanced use of video reporting and grants evaluation and the establishment of the Area Boards achievements blog.

**Ensuring that councillors and officers work together to achieve a common purpose with clearly defined functions and roles**

56. The Constitution sets out clearly the roles and responsibilities of Councillors and Officers in the decision making process. This includes schemes of delegation which are currently under review as part of the ongoing review of the Constitution. Guidance and training for officers is available from Legal Services on the recording of decisions made by officers under new requirements introduced in September 2012.

57. The Council has adopted a Councillor and Officer Relations Protocol which:

- outlines the essential elements of the relationship between councillors and officers;
- promotes the highest standards of conduct;
- clarifies roles and responsibilities;
- ensures consistency with the law, codes of conduct and the Council's values and practices; and
- identifies ways of dealing with concerns by councillors or officers.

58. This Protocol has been reviewed to reflect the new Code of Conduct for Members, which came into effect on 1 July 2012.

## **Promoting high standards of conduct and behaviour, and establishing and articulating the authority's values to members, staff, the public and other stakeholders**

59. All staff are required to meet high standards of ethical conduct under the Officers' Code of Conduct.
60. The Officers' Code of Conduct was significantly strengthened by the introduction in the Spring of 2012 of the Behaviours Framework. This framework clearly articulates the behaviours expected of Council Officers. In 2012/13 the Council's staff appraisal procedure was amended to include a requirement for performance to be entered onto a central database (SAP) and for performance to be formally assessed against the Behaviours Framework.
61. The Council adopted a new code of conduct for Councillors and arrangements for dealing with member misconduct complaints under the requirements of the Localism Act 2011 which came into effect on 1 July 2012. The effectiveness of the code of conduct will be reviewed by the Standards Committee in the autumn of 2013.
62. Following the election of the Police and Crime Commissioner in November 2012, the Council has put in place a Police and Crime Panel and adopted a procedure for receiving and investigating complaints about the Police and Crime Commissioner and the Deputy Police and Crime Commissioner for Wiltshire.
63. The Council's Governance Service is responsible for customer complaints, access to information legislation, operation of the agreed arrangements under the new standards regime, and the promotion of good governance within the Council and with key partners, including the town and parish councils of Wiltshire. This helps to ensure that robust governance arrangements are supported across the Council.

### **Internal Audit**

64. Internal Audit represents an important element of the Council's internal control environment, and to be effective it must work in accordance with the Code of Practice for Internal Audit in Local Government, which lays down the mandatory professional standards for the internal audit of local authorities.
65. The Internal Audit Annual Report and Opinion 2012 -13 summarises the results and conclusions of the audit work throughout the year, and provides an independent audit opinion on the internal control environment for the Council as a whole. The Council's internal auditors, SWAP, have given an overall audit opinion of reasonable assurance on the adequacy and effective operation of the Council's control environment for 2012-13.

### **External Audit**

66. The latest report to those charged with governance, issued by KPMG LLP in respect of Wiltshire Council for 2012/2013, summarises the key issues arising from the audit of Wiltshire Council for the year ended 31 March 2013 and an assessment of the Council's arrangements to secure value for money in its use of resources.

67. The report highlights the key messages as follows:

- KPMG LLP issued an unqualified opinion on the accounts;
- The Council had addressed critical accounting matters appropriately. This included the implementation of International Financial Reporting Standards (IFRS);
- One adjustment to the draft financial statements was identified, which relates to a technical accounting adjustments. This does not affect either the cost of providing services or the net worth of the Council. This has been amended in the final version;
- KPMG LLP confirmed that the Council continued to evidence a strong financial reporting process and produced draft financial statements of high quality;
- KPMG LLP concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

68. KPMG LLP's report to those charged with governance for 2012/2013 will be tabled at the meeting of the Audit Committee on 4 September 2013.

### **Taking informed, risk based and transparent decisions which are subject to effective scrutiny**

69. Cabinet Members and Officers exercising delegated powers are required to take decisions in accordance with their respective schemes of delegation. The Leader's protocol for decision-making by Cabinet Members ensures transparency by requiring publication of the intention to make a decision on 5 clear days' notice and the final decision.

70. In April 2012 the Council amended its constitutional Procurement and Contract Rules. This amendment resulted in strengthened arrangements for the governance of procurement, including a robust check and challenge system.

71. The Partnership Protocol and Register, now in operation for two years, captures the Council's partnerships arrangements. At present there are 42 identified partnerships in operation. Each partnership has an identified owner within the Council and has been reviewed to identify the risk status. The details of each partnership are available via the electronic Partnerships Register on the Council's intranet. These arrangements are being reviewed to ensure that all partnerships are appropriately captured on the register.

72. Since implementing the recommendations of a major review in May 2012 to increase the effectiveness of the Overview and Scrutiny function, a single work programme has been developed in discussion with Cabinet members and senior management which focused on Council priorities, customer needs, intervention and outcomes. It aims for early dialogue enabling most of its work to support policy development and pre-decision scrutiny in the Council.

73. The work undertaken by the Audit Committee this year has included:

- review and approval of the Annual Governance Statement and Statement of Accounts for 2011-12;
- review of the work and findings of Internal Audit, including the Annual Report and audit opinion on the control environment;
- review of the Council's risk management arrangements;
- review of the work and findings of external audit, including the Annual Audit Letter and Report to Those Charged with Governance.

74. Work on the Council's Business Continuity Management is a continuous development process designed to achieve resilience and the best possible outcomes for services and communities. A strategic and tactical training day was held in January 2013 for all Corporate Directors, Service Directors and Heads of Service. The training familiarised senior managers with the new major incident and recovery plans, increased resilience amongst managers and offered a practical exercise to put knowledge into practice. This training also built on the resilience arrangements and training that were put in place as a result of the Olympic and Jubilee celebrations during the summer of 2012.

75. The successful transfer of the Public Health team into the authority in April 2013 offers an opportunity to strengthen our response to both business continuity and emergency planning - to learn from their experience and expertise and to ensure the Council is able to respond to Public Health emergencies. We are therefore reviewing what form these services might take and how they may be delivered in the future to ensure continued robust resilience.

### **Developing the capacity of councillors and officers to be effective in their roles**

76. The Council is committed to the ongoing development of its Councillors and recognises the importance of building up their capacity and effectiveness.

77. The Council's Councillor Development Policy:

- Establishes Councillors' individual training needs and protocols and allocates budget according to the Council's priorities;
- Ensures equality of access to funds and training events;
- Evaluates the effectiveness of councillor development annually to inform the allocation of funding for future years.

78. A refreshed People Strategy for 2012 – 2015 has been developed and launched to support delivery of the business plan and the transformation programme. This includes embedding the behaviours framework and developing the culture of the council. An action plan will support the delivery of the People Strategy, which is critical to enabling the Council to create the capacity it needs to work in different ways and successfully meet current and future challenges.

#### Housing Landlord Service Improvement Plan

79. Wiltshire Council's housing services have engaged in a range of improvement projects which will modernise the services and address the issues raised in recent audits. The improvements include:

- Four new maintenance and repairs contracts delivering significant additional expenditure in the housing stock;
- A draft Asset Management Strategy and Business Plan;
- The implementation of a new housing IT system with improved work flows and an electronic document filing facility;
- A restructure of the Housing Management function to deliver a modern housing service;
- Increased resources into tenancy engagement and participation including a new housing board and tenant scrutiny.

80. The improvement programme will continue through 2013. The programme of work is governed by a programme board which considers all risks and issues at its fortnightly meeting.

## **E) Significant Governance Issues**

81. The following have been identified as significant governance issues:

### **Safeguarding Children and Young People**

In March 2012 Ofsted carried out an inspection of Wiltshire's safeguarding and looked after children services. Their report, published on 24 April 2012, judged the overall effectiveness of safeguarding services to be inadequate. In response to the Ofsted report in September 2012 the Department for Education issued the authority with an Improvement Notice which sets out a number of actions which must be completed before the end of 2013.

The Improvement Notice includes a requirement to create an Improvement Board with an independent chair. Wiltshire established the Improvement Board prior to the Improvement Notice being issued and an independent chair was appointed in June 2012. The Improvement Notice also requires that there is an Improvement Plan which is monitored by the Board at each meeting. The Director of Children's Services, Lead Member for Children's Services and the chair of Wiltshire Safeguarding Children Board report on progress and any issues and blocks to each Board meeting. The Council has had a risk action plan in place since June 2012. This focuses on failure to implement the actions included in the Improvement Plan. It is updated after each meeting of the Improvement Board.

In July 2013 Ofsted undertook an inspection of local authority arrangements for the protection of children in Wiltshire. This inspection considered key aspects of a child's journey through the child protection system, focusing on the experiences of the child or young person, and the effectiveness of the help and protection being offered. Inspectors scrutinised case files, observed practice and discussed the help and protection given to children and young people with social workers, managers and other professionals. Wherever possible Inspectors talked to children, young people and their families. Inspectors looked at over 120 case files during the inspection. No cases were identified by inspectors where children and young people were left at unnecessary risk of harm. The report notes that the response of senior leaders within Wiltshire Council and its partners was swift and effective following the 2012 inspection and that child protection practice has demonstrably improved since the last inspection. The report also prioritises a number of action items to be completed immediately or within the next 3 to 6 months. Overall the report of the inspection notes that overall effectiveness of the arrangements to protect children in Wiltshire is judged to be adequate. The report findings were consistent with the progress reports and issues reported to the Improvement Board.

The Improvement Board will continue to meet until the Improvement Notice is lifted. In addition to monitoring items included in the Improvement Notice the Improvement Board will also oversee implementation of the actions arising from the July Ofsted inspection. Over the next few months plans will be developed for ensuring there is robust governance of longer term improvement plans. This will include continuing to strengthen the Wiltshire Safeguarding Children Board.



## **Managing Significant Reductions in Government Funding and Changes in Legislation**

There have been significant changes in the funding formula for local government and other public sector partners in recent years.

This continues to cause uncertainty over the process of setting budgets and precepts. The government announced a new comprehensive spending round in June 2013, has provided more certainty to the grants due to the council in the next two years.

Other changes have been introduced, such as the Welfare Reform Act, and the impact of these will need to be reviewed to look at any cost pressures that might arise.

At the same time the Council must continue its drive for transformation and manage the increasing demand for services, for example, to protect vulnerable children and adults. The Council's business plan and financial plan deal with these challenges, but these areas will need to be closely monitored.

## **Information Security**

In February 2013 the Corporate Leadership Team agreed an action plan to strengthen and improve the Council's information governance arrangements. A number of priority actions have been put in place, including the appointment of a Corporate Director as the Council's Senior Information Risk Owner (SIRO), the establishment of an Information Governance Steering Group and the introduction of an on-line register of data incidents. Progress against the improvement plan is being monitored by the Corporate Leadership Team with the direct involvement of the SIRO.

Jane Scott  
Leader of the Council

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Corporate Directors

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Dated



## Appendix 1

### Extract from Minutes of Audit Committee on 18 June 2013

#### 45 Annual Governance Statement 2012/2013 Draft

Ian Gibbons, Service Director of Law and Governance and Monitoring Officer, presented the draft Annual Government Statement for 2012-2013, a required part of the annual review of the effectiveness of the Council's governance arrangements, which would proceed to Cabinet, then Standards Committee, before returning to the Audit Committee for final approval.

The Monitoring Officer took the Committee through the report, highlighting key issues including the following:

- Safeguarding Children and Young People
- Managing significant reductions in Government funding and changes in legislative
- Information Security

The Monitoring Officer particularly highlighted the action plan agreed by the Corporate Leadership Team to strengthen and improve the Council's information governance arrangements. Progress against the plan was being monitored and the Committee would be updated as to whether this should remain as a significant governance issue.

The Leader of the Council and Carolyn Godfrey – Corporate Director, reminded the Committee of the work that had and was currently being undertaken in relation to safeguarding children and young people. The Leader and Corporate Director were pleased to report that Wiltshire were making steady progress to address the issues raised by Ofsted and noted in the Improvement Plan. The strengthened focus on safeguarding by the Lead Member for Children's Services, Portfolio Holder for Safeguarding, the Safeguarding Scrutiny Task Group and the Director of Children's Services had been commended. There was also consensus that good frameworks had been established for example a set of practice standards, a new auditing programme, revised supervision policy and introduction of a model for managing risk.

It was noted that paragraph 15 of the Draft Annual Governance Statement that referred to the Police and Crime Panel should indicate that the Panel was a joint Panel with Swindon Borough Council and should read 'the Wiltshire Police and Crime Panel'.

Resolved:

That the draft Annual Governance Statement would be revised in light of the comments of the Audit Committee, Cabinet, Standards Committee and ongoing review work by the Governance Assurance Group, before final approval by the Audit Committee and publication with the Statement of Accounts in September 2013.

### **Extract from draft Minutes of Standards Committee on 10 July 2013**

#### **26 Draft Annual Governance Statement 2012/13**

The Monitoring Officer presented the draft Annual Governance Statement for 2012/13, which was to be presented to Cabinet on 23 July and had been approved in draft form by the Audit Committee on 18 June 2013 . The draft had been sent for consideration to the council's external auditors, KPMG, and final approval would be given at Audit Committee on 4 September 2013.

The Committee considered the relevant ethical governance sections of the Statement, and were informed the document as a whole followed guidance as laid down by CIPFA.

After consideration, it was,

#### **Resolved:**

**To approve the draft annual governance statement.**

### **Extract from Minutes of Cabinet on 23 July 2013**

#### **60 Annual Governance Statement**

Cllr Dick Tonge, Cabinet Member for Finance, Performance, Risk, Procurement and Welfare Reform presented a report which asked Cabinet to consider a draft Annual Governance Statement (AGS) for 2012-13 before final approval was sought from the Audit Committee on 4 September 2013.

Cabinet noted that the Council was required as part of its annual review of the effectiveness of the governance arrangements, to produce an AGS for 2012-13. This would 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 would form part of the Annual Statement of Accounts for the same period.

The AGS had been considered initially by the Audit Committee at its meeting on 18 June with the resulting minute presented to Cabinet which indicated one minor amendment to the AGS being made. The AGS had also been considered by the Standards Committee at its meeting on 10 July where it had been accepted without any suggested amendment.

Resolved:

a) That having considered the draft Annual Governance Statement, that Cabinet notes and accepts it as presented with no recommended amendments.

b) Note that the draft Annual Governance Statement would be revised in the light of the comment by the Audit Committee and acceptance of it as presented by Cabinet and 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 decision

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

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