

## **Wiltshire Council**

### **Standards Committee**

**20 July 2011**

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## **Annual Governance Statement 2010/11**

### **Purpose of the report**

1. To ask the Standards Committee to consider a draft Annual Governance Statement for 2010/11 for comment before final approval is sought from the Audit Committee at its meeting in September 2011.

### **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 2010/11. This has to be signed by the Leader of the Council and the Chief Executive after final approval by the Audit Committee on 28 September 2011 and forms part of the Statement of Accounts.
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 informal 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 2010/11, but must take account of any significant issues of governance up to the date of completion on 28 September 2011. 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 member representatives from the Audit Committee and the Standards Committee.
  7. The evidence for the AGS comes from a variety of sources, including an assurance framework, directors' assurance statements, relevant lead officers within the organisation and external auditors and inspection agencies.

### **Draft AGS - Content**

8. A copy of the draft AGS for 2010/11 is attached at Appendix 1.
9. 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 this Committee, Cabinet, Audit Committee and the Council's external auditors, KPMG.

10. The Committee's attention is drawn particularly to the provisions of the draft AGS which are directly relevant to the work of the Standards Committee. These are found at:

- paragraph 12 on page 124
- paragraph 19 on page 125
- paragraphs 60 – 67 on pages 132-133

11. A first draft of the AGS was considered by the Audit Committee on 29 June 2011. The relevant minute of their decision is set out below:  
*The Monitoring Officer, Ian Gibbons, presented the Draft Annual Governance Statement (AGS) for 2010-11 for the Committee's preliminary comments.*

*It was noted that the Council was required to prepare and publish an AGS as part of its annual review of the effectiveness of its governance arrangements, meeting the six principles of good governance adopted in its Code of Corporate Governance.*

*The draft AGS would be revised in the light of any comments this Committee, or any other body consulted, wished to make and the ongoing review work by the Assurance Group.*

*The draft AGS would be presented to Cabinet, the Standards Committee and KPMG, External Auditors, with any comments being presented to this Committee at its meeting on 28 September 2011 when the AGS would be presented for final approval.*

*Members noted that significant progress had been in the area of the Housing Landlord Service Improvement Plan and questioned whether this needed to remain as a significant governance issue. The Committee asked the Assurance Group to keep this under review and to:*

- a. refer in the AGS to the new requirement to refer internal audit reports to Cabinet Members;*
- b. review the governance arrangements for section 106 agreements;*
- c. include outstanding harmonisation issues arising from LGR as part of the significant governance issue relating to the Transformation Programme.*

**Resolved:**

- 1) To ask the Assurance Group to review and amend the AGS in light of the above comments.**
- 2) To note that the draft AGS will be revised further in the light of ongoing work by the Assurance Group and any comments of the**

***Standards Committee and Cabinet, before being brought back to the Committee for final approval on 28 September 2011.***

12. Section C of the AGS describes the Council's governance framework for the relevant period, namely April 2010 to date. The final version will need to reflect the position up to the date of approval and signature in September 2011.
13. 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.
14. The levels of assurance obtained from the range of audits completed during the year has led Internal Audit to the provisional overall audit opinion that for 2010-11 it is able to give a substantial assurance on the adequacy and effective operation of the Council's overall control environment.
15. The Governance Assurance Group is obtaining assurance statements from directors in relation to their services. These will be reviewed over the summer period and any issues which impact upon the Council's governance arrangements will be included in a further revision of the draft AGS and highlighted at the Audit Committee meeting in September 2011.
16. Section E of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period.
17. 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.

18. The following have been identified as significant governance issues at this stage in view of their size, complexity and impact on the delivery of the Council's priorities:

- SAP financial systems
- Housing Landlord Service Improvement Plan
- Implementation of the Transformation Programme
- Managing significant reductions in Government funding and changes in legislation
- Governance arrangements for dealing with complaints involving third parties

19. Details on these issues are set out at paragraphs 95-104 of the draft AGS.

20. 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.

21. 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 Committee in September.

### **Financial implications**

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

### **Risk Assessment**

23. 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**

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

### **Equality and Diversity Impact**

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

## **Reasons for the Proposal**

26. To prepare the AGS 2010/11 for publication in accordance with the requirements of the Audit and Accounts Regulations.

## **Proposal**

27. The Committee is, therefore, asked:

- a. to consider the draft AGS as set out in Appendix 1 and to make any amendments or observations on the content;
- b. to note that the draft AGS will be revised in the light of any comments this Committee may wish to make and the ongoing review work by the Governance Assurance Group. It will then be considered by Cabinet before being taken back to the Audit Committee for final approval and publication by 30 September 2011.

**Ian Gibbons**  
**Solicitor to the Council and Monitoring Officer**

Report Author: Marie Lindsay, Ethical Governance Officer

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

None.