

Wiltshire Council

Standards Committee

21 July 2010

ANNUAL GOVERNANCE STATEMENT 2009/10

Purpose of the report

1. To ask the Committee to consider a draft Annual Governance Statement for 2009/10 for preliminary comment before final approval is sought from the Audit Committee at its meeting on 30 September 2010.

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 2009/10. This has to be signed by the Leader of the Council and the Chief Executive after final approval by the Audit Committee on 30 September 2010.
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 2009/10, but must take account of any significant issues of governance up to the date of completion on 30 September. 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 member representatives from the Audit Committee and the Standards Committee.
 7. The evidence for the AGS comes from three primary sources - an assurance framework, based on the Use of Resources assessment documents, directors' assurance statements, and from relevant lead officers within the organisation.

Draft AGS - Content

8. A copy of the draft AGS for 2009/10 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 reviewing of assurance sources by the Assurance Group and any observations of this Committee, Cabinet, Audit Committee and the Audit Commission.
10. A first draft of the AGS was considered by Audit Committee on 30 June 2010. The relevant minute is set out below:

The Monitoring Officer presented the Draft Annual Governance Statement

(AGS) for 2009-10 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.

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 30 September 2010 when the AGS would be presented for final approval.

Members suggested that the AGS should be more robust in stating the many achievements of the Council over the past year and the benefits of moving to unitary status, at the same time reflecting openly on the challenges which have been met.

Resolved

1) To ask the Assurance Group,

- a) To review the AGS in light of the above comments and make appropriate amendments.**
- b) To include the issues relating to the implementation of SAP covered in KPMG's Interim Audit Report 2009/10 as a significant governance issue in Section E of the AGS.**

2) To note that the draft of the 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 30 September 2010.

11. Section C of the AGS describes the Council's governance framework for the relevant period, namely April 2009 to date. The final version will need to reflect the position up to the date of approval and signature in September 2010.
12. Standards Committee's attention is drawn particularly to paragraph 18 of the draft AGS which reflects the functions of this Committee.
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. Standards Committee is asked to consider, in particular, the section in paragraph 42 of section D of the AGS, which deals with the way in which the Council is promoting high standards of conduct and behaviour and establishing and articulating the Council's values to members, staff, the public and other stakeholders.
- 15 The levels of assurance obtained from the range of audits completed during the year by Internal Audit has led to the overall audit opinion that for 2009-10, the Council's overall control environment must be seen as limited in terms of its adequacy and effective operation. A key factor influencing this outcome has been the major structural reorganisation which took effect from 1st April 2009, moving from five councils into one, and the inevitable significant transition and upheaval which followed as a result. The overall response of management to the various risks and issues raised has been positive and constructive. The need to improve controls is recognised and work is in progress to achieve the desired outcomes.
16. The 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 and highlighted at the next meeting.
17. Section E of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period. i.e. the financial year 2009/10 through to the date of publication of the AGS at the end of September 2010.
18. 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.

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

- implementation of the Council's major transformation programme following reorganisation, including Workplace Transformation, transformation of services and harmonisation of policies and practices (including staff terms and conditions);
- management of budget pressures during 2010/2011, particularly in light of the Coalition Government's plans for reducing public expenditure in local government.

20. In addition the Audit Committee has requested that issues relating to the implementation of SAP (the Council's new business management system) are added as a significant governance issue. Any further significant governance issues that are identified will be reported to the meeting of Audit Committee in September for final consideration and approval.

21. The Audit Commission will be consulted on the content of the draft AGS and their comments will be taken into account in the presentation of the final version to the Audit 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 2009/10 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 in Appendix 1 and to make any amendments or observations on the content, particularly in relation to the section identified above covering the Committee's work and responsibilities.
- 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 Assurance Group. It will then be considered by Cabinet before being taken back to the Audit Committee for final approval for publication by 30 September 2010.

Ian Gibbons
Solicitor to the Council and Monitoring Officer

Report Author: Marie Lindsay, Ethical Governance Officer

Unpublished documents relied upon in the production of this report:

The CIPFA Finance Advisory Network - The Annual Governance Statement