

## **Annual Governance Statement 2009/10**

### **Purpose of the report**

1. To ask the Audit Committee to approve the Annual Governance Statement for 2009/10.

### **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.
  8. A first draft of the AGS was considered by Audit Committee on 30 June 2010. It was then considered by the Standards Committee on 21 July 2010 and Cabinet on 14 September 2010. The main changes that have been made to the AGS since it was first considered by Audit Committee on 30 June 2010 are highlighted below.

### **Draft AGS - Content**

9. A copy of the final AGS for 2009/10 is attached at Appendix 1.
10. Section C of the AGS describes the Council's governance framework for the relevant period, namely April 2009 to 30 September 2010. Since the draft AGS was first considered by the Audit Committee on 30 June the following changes have been made to this section:

- the arrangements concerning the Forward Plan have been amended to reflect the position during the relevant period. (see paragraph 15 of the AGS)
- a reference to the Council's business continuity arrangements has been added. (see paragraph 38 of the AGS)

11. 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.

12. The following amendments have been made to Section D of the draft AGS since it was considered by the Audit Committee on 30 June:

- reference to work undertaken to strengthen the Council's partnerships governance arrangements, including a revised Partnership Protocol and Register (see paragraph 59 of the AGS);
- a reference to the granting of dispensations by the Standards Committee to members of Area Boards, and the related issue of the size and composition of some Area Boards (see paragraph 58 of the AGS)
- a summary of the progress being made in the development of the Council's business continuity arrangements ( see paragraphs 84 to 86 of the AGS)
- the inclusion of the item on management of budget pressures in 2010/11 and beyond in this section rather than section E. Whilst this is clearly recognised as a significant issue for the Council it is not considered to be a significant issue of governance or internal control as the Council has robust arrangements in place to manage the situation. (see paragraphs 87 to 91 of the AGS).

13. 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 1<sup>st</sup> 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.

14. The Assurance Group has obtained assurance statements from directors in relation to their services and any issues which impact upon the

Council's governance arrangements have been included in the final version of 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. i.e. the financial year 2009/10 through to the date of publication of the AGS at the end of September 2010.

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 in view of their size, complexity and impact on the delivery of the Council's services and priorities. (see page 20 of the AGS):

- **SAP Financial Systems**

(This was added as a result of the Audit Committee's consideration on 30 June)

*Many of the Council's main financial systems were transferred into the newly-implemented SAP system from 1<sup>st</sup> April 2009. This represented a very significant transition for the processing of financial transactions, and throughout 2009-10 staff have needed time to become conversant with a wide range of new processes, whilst trying to ensure that financial functions continue to work within an adequate control environment. This transitional period has therefore had an adverse impact on system controls, which have not been fully effective throughout the year. This has been a contributory factor in internal audit giving an opinion of limited*

*assurance on the Council's control environment for the year. It has also resulted in external audit raising a significant number of recommendations for improvements.*

*Following the implementation of SAP the Council's financial systems have been undergoing gradual developments and improvements during the latter part of 2009-10, when management has been able to give increased focus and attention to improving control issues. This work is continuing through 2010-11 in order to ensure that financial controls are improved further within SAP systems, and are brought up to the required standard as systems and procedures become more established and robust.*

- **Housing Landlord Service Improvement Plan**

*(This has been added as a significant governance issue in view of the outcome of the audit inspection in February 2010 and the significant challenge that is involved in delivering the Improvement Plan)*

*In February 2010 the Audit Commission inspected the Council's housing landlord service. A number of weaknesses were identified and overall the service was rated as poor. The Council has prepared a detailed Audit Inspection Improvement Plan to deliver significant improvements to the service by April 2010, and has established a Steering Group to ensure its implementation. Major improvements to date include the setting up of a new commission involving tenants, councillors and representatives from other housing partners to ensure that tenants are getting the best deal possible; publication of a new set of service standards, and the provision of a new customer reception which has full disabled access. The Tenant Services Authority has noted that significant improvements have been made in the areas of complaints and customer feedback, repairs and maintenance and equality and diversity. Progress has, however, been slower in other areas and action is being taken to address these.*

*Progress against the improvement plan will be monitored by the new Housing Commission.*

- **Implementation of the Transformation Programme**

*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);*

18. The Council's external auditors have been consulted on the draft AGS and their comments have been taken into account in the final version of the AGS.

### **Financial implications**

19. There are no financial implications arising directly from the issues covered in 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 regarding the proposals in this report.

### **Equality and Diversity Impact**

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

### **Reasons for the Proposal**

23. To prepare the AGS 2009/10 for publication in accordance with the requirements of the Audit and Accounts Regulations.

### **Proposal**

24. The Committee is, therefore, asked to consider and approve the AGS as set out in Appendix 1 for publication with the Annual Statement of Accounts for 2009/10.

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

The CIPFA Finance Advisory Network - The Annual Governance Statement