

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
Governance Committee	14 June 2010

Report template revised June 2008



<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
Draft Annual Governance Statement	Not applicable	M Wood	5

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

The report presents the Council's draft Annual Governance Statement (AGS) for 2009/10. The report provides assurance on the Council's standards of corporate governance spanning all the Council's priorities and covering all activities.

## **RECOMMENDATIONS**

That the Committee review, challenge and approve the Council's Annual Governance Statement and make appropriate comments.

## **DETAILS AND REASONING**

### **The Annual Governance Statement**

There is a statutory requirement for the Council to conduct a review (at least once in a year) of the effectiveness of the internal control environment and to publish a statement on the adequacy of the system with its annual accounts. This statement is referred to as the Annual Governance Statement (AGS) and is contained within the Statement of Accounts shown as item 8 on the agenda.

The AGS explains our governance arrangements, the review of the governance framework and future plans to improve and strengthen the governance environment. The regulations state that the document should be published with the financial statements however, it should be emphasised that the AGS is a broader reflection of the whole governance of the Council, relating not just to financial controls but covering all activities of the Council.

Accordingly it is good practice that the statement is approved (separate to the accounts) and also signed by the Leader of the Council and the Chief Executive to emphasise its importance and corporate nature.

### **The Review Process**

The review of the Council's governance framework is directed by a senior officer governance group comprising; the Chief Financial Officer, the Monitoring Officer and senior management representatives from Finance, Assurance, Policy and Corporate Governance Services. The main role of the group is to monitor and review the Council's governance practices and to continually strengthen and improve the Council's arrangements. Both the governance group and this committee have a contributory role to play in improving and strengthening the governance environment.

## Assurance Gathering

Due to the corporate nature of the statement and the variety of people involved with delivering governance a shared approach is taken to assurance and evidence gathering. Considerable evidence has been documented in support of the AGS for subsequent review by the Council's external auditors.

Evaluation of the assurance evidence, identification of recommended development areas and compilation of the draft statement has been undertaken by the governance group.

Reliance has been placed on the Council's constitution; corporate and service planning processes; performance, risk and financial management frameworks; the Our People strategy and work plans; anti-fraud and ethical governance arrangements; the Internal Audit service and the Governance, Joint, Standards and Scrutiny Committees. The process has also been supplemented by service assurance statements that have been signed by each Senior Manager.

Independent assurance for the statement is taken from the work undertaken by our external auditors and other external review bodies.

This year there are new requirements to assess the role of the Chief Financial Officer as outlined in item 4 on the agenda. These controls primarily ensure that the role is undertaken to professional standards and that the Council ensures that appropriate support arrangements are provided to enable the CFO to fulfil his duties. The review highlighted full compliance with the requirements and no improvement actions were identified.

**Commented [A1]:** Are these now called Service Assurance Statements?

## Reporting

In preparing the draft statement the group has been guided by a good practice document that was published by The Chartered Institute of Public Finance and Accountancy (CIPFA).

The statement consists of five sections as follows:

Section 1 of the AGS "scope of responsibility" and section 2 "the purpose of the AGS" are fairly prescriptive and the CIPFA guidance sets out appropriate wording that we have adapted slightly to ease understanding.

Section 3 of the statement identifies the key elements of the Council's governance arrangements.

Section 4 demonstrates how those arrangements have been evaluated and how assurance is gathered.

Section 5 highlights areas of development that have been identified from the review process which will further enhance our governance arrangements.

Following the external audit of the Council's accounts in September, the finalised accounts for 2009/10, including the AGS, will again be presented to the Governance Committee prior to publication. At this time the statement will incorporate feedback and also have been signed by the Leader of the Council and the Chief Executive.

The whole process of reviewing the Council's arrangements, reporting and continuous improvement operates in a cyclical basis with progress reports to this committee at half yearly intervals. Appendix A shows the progress from last year's improvement plan and because the

process identifies significant aspects requiring attention then it is not unusual to have some overlap with areas in section 5 of the AGS. That is to say that some actions will continue from one year to the next.

Progress on improvement will continue to be reported to this committee and the next update is scheduled for January 2011. At this time the action plan will have been rolled forward to include all areas for further development identified in section 5 of the AGS.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

<b>FINANCIAL</b>	There are no financial implications resulting from this report.		
<b>LEGAL</b>	The production of the annual governance statement demonstrates compliance with the Accounts and Audit Regulations 2003 (Regulation 4) as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.		
<b>RISK</b>	The statement and more importantly the underlying process of assessment will enhance our internal control and corporate governance status thus minimising risk.		
<b>OTHER (see below)</b>	None directly, but as outlined in the report the process of assessment has covered all statutory and policy obligations.		
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

## BACKGROUND DOCUMENTS

The Chartered Institute of Public Finance and Accountancy (CIPFA) "The Annual Governance Statement – Meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulations 2006"

A Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) 2007 document, entitled "Delivering Good Governance in Local Government".

A 2004 publication produced by the Independent Commission on Good Governance in Public Services chaired by Sir Alan Langlands entitled "Good Governance Standard for Public Services".

Corporate Governance Action Plan 2009/2010

Areas for Improvement	Actions	Owner	Timescale	Status
<p>1. Continuous review of governance arrangements for key partnerships, including risk, finance, business continuity and ethical arrangements</p>	<p>1.1 Review arrangements of all key partnerships.</p>	<p>RH+ relevant Senior Managers</p>	<p>December 2010 <i>(provisional - pending service review)</i></p>	<p>A review of South Ribble Partnership has been completed, agreed by the Steering Group on 10 December 2009. Next steps are to analyse the governance arrangements for other key partnerships and ensure consistency across the board. This work will be carried out by the Policy Team, following a review / restructure in Summer 2010.</p>
	<p>1.2 Develop a framework to assess governance aspects for use in the tendering and procurement processes.</p>	<p>SG/JH</p>	<p>March 2011</p>	<p>This will for a project to be undertaken by Shared Financial Services in 2010/2011.</p>
	<p>1.3 Develop the role of Assurance in reporting evidence of financial, risk and business continuity controls for key partnerships.</p>	<p>GB</p>	<p>March 2011</p>	<p>The Internal Audit Team will support the review in 1.1 above by introducing governance statements for key partnerships which will form part of the overall Annual Governance Statement process for 2010/11.</p>
	<p>1.4 Members protocol to be developed to govern members' role in partnership working.</p>	<p>MW</p>	<p>September 2010</p>	<p>This was addressed by the Governance Committee Task Group and, in line with the group's recommendations which were</p>

Areas for Improvement	Actions	Owner	Timescale	Status
				approved by full Council in April 2010, a draft protocol will be developed and presented to the Governance Committee meeting in August 2010 prior to consideration and adoption by full Council.
2. Produce and implement action plans to strengthen the partnership arrangements and monitoring and reporting aspects	2.1 Develop a robust Performance management framework for key partnerships including aspects of data quality.	RH+ relevant Senior Managers	December 2010 <i>(provisional - pending service review)</i>	<p>In line with action 1.1, existing performance reporting arrangements for key partnerships will be reviewed and strengthened. This will include a framework to ensure regular monitoring, robust performance information and consistent commitment to the Council's recently reviewed Data Quality Policy. This work will be carried out by the Policy Team, following a review / restructure in Summer 2010.</p> <p>Work has been completed to strengthen the data quality arrangements and this was reported to Governance Committee in April 2010.</p>
3. Develop management accounting and enhance transaction and unit costing to improve value for money	3.1 Further develop the management accounting process to improve efficiency and effectiveness of financial reporting for monthly reports to managers and also corporate reporting.	SG	March 2010	<p>Through the C-Smart review process progress has already been made in how financial information, including activity based costing, is used to better understand service costs and drive improvement. Through the C-Smart programme this will continue to be a key focus.</p> <p>Further development of the management accounting processes are planned for</p>

Areas for Improvement	Actions	Owner	Timescale	Status
				2010/011 with the first session to implement a programme of service improvement on 11 <sup>th</sup> June 2010.
4. Revise and educate officers on the standing orders for contracts	4.1 Revise the standing orders for contracts. 4.2 Ensure relevant training and education is provided for all key staff.	SG	Completed	Standing Orders for Contracts have been revised and incorporated in the Constitution.  Procurement training, including Standing Orders, was completed during July 2009. Additionally a new handy Pocket Guide to procurement has been developed which shows the procurement process in easy to follow flow charts and is published on one page of A4. This guide has been published on Connect and was distributed to all staff at the training sessions.
5. Further embed project management disciplines	5.1 Review the project management framework.  5.2 Ensure relevant training and education is provided for all key staff.	RH	March 2010  December 2010	A review of the Project Management Framework has found that the existing framework is adequate but that efforts to promote awareness of it among officers should continue, to ensure that it is further embedded in the authority's culture.  In line with the above further Project Management training is planned for December 2010.
6. Ensure members of the public are consulted on their views of the council's ethical arrangements.	6.1 Include relevant questions are incorporated in the Citizen's Panel survey.  6.2 Evidence to be reviewed and included in the Annual Governance Statement.	MW  MW	November 2009  June 2010	Completed.  The findings from the survey are now available on Cllr Connect and further

Areas for Improvement	Actions	Owner	Timescale	Status
				<p>publicity is planned as the findings were very encouraging.</p> <p>This information was used to form part of the assurance gathering process to support the Annual Governance Statement and will be reported to the Governance Committee in June 2010.</p> <p>A report of these findings was also reported to the Standards Committee in March 2010.</p>
<p>7. Address any areas for improvement in financial controls that may be identified by the External Auditor in the Annual Governance Report.</p>	<p>No improvement areas have been identified by the External Auditor as part of the audit for 2008/9.</p>	<p>SG</p>	<p>N/A</p>	<p>Not applicable.</p>

**KEY TO OWNERS:**

**RH** – Rebecca Heap, Policy Manager

**GB** – Garry Barclay, Head of Shared Assurance Service

**JH** – Janet Hinds, Principal Procurement Officer

**MW** – Maureen Wood, Director of Corporate Governance

**SG** – Susan Guinness, Head of Shared Financial Services