



CORPORATE GOVERNANCE COMMITTEE – 10 MAY 2019

DRAFT ANNUAL GOVERNANCE STATEMENT - 2018/19

**JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
AND THE CHIEF EXECUTIVE**

Purpose of Report

1. The purpose of this report is to:
 - (a) Outline the background and approach taken to produce the County Council's 2018/19 draft Annual Governance Statement (AGS);
 - (b) Present the draft AGS for comment by the Committee prior to sign off by the Chief Executive and Leader of the Council.

Background

2. Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.
3. 'Delivering Good Governance in Local Government: Framework' (the Framework) sets the standard for local authority governance in the UK. CIPFA and Solace published a revised edition of the Framework in spring 2016. The preparation and publication of an AGS in accordance with the Framework fulfils the statutory requirement.
4. The Regulations stipulate that the County Council publishes its approved statement of accounts and AGS by no later than 31 July 2019. Therefore the draft AGS will be considered by this Committee in May and the finalised AGS will accompany the published accounts.
5. The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.
6. The AGS encompasses the governance systems applied in both the Authority and any significant group entities e.g. ESPO, East Midlands Shared Services

(EMSS), during the financial year being reported. Commercial and collaborative arrangements that the Council is involved in are also reported to provide a fuller picture including assurances.

7. To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework and that the conclusions and future challenges are appropriate, CIPFA guidance requires high level input from the Committee into the AGS. The draft 2018/19 AGS is attached as an Appendix and any comments by the Committee will be duly considered and incorporated as appropriate.
8. The draft Statement has already been considered by a senior management group comprising of :
 - Head of Law and Deputy Monitoring Officer (on behalf of the Director of Law and Governance)
 - Director of Corporate Resources
 - Assistant Director – Strategic Finance and Property
 - Head of Democratic Services
 - Assistant Chief Executive
 - Head of Internal Audit and Assurance Services
 - Members of the Corporate Management Team

Approach

9. The review of the effectiveness of the County Council's system of internal control and overall corporate governance arrangements requires the sources of assurance, which the Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
10. The Public Sector Internal Audit Standards (PSIAS) allows the Head of Internal Audit and Assurance Service to assist management in drafting the AGS. The process followed as explained below, has not changed significantly from the previous year.
11. The Framework requires local authorities to review their arrangements against their Local Code of Corporate Governance (essentially refers to the governance structure in place). The Council's Local Code of Governance was revised and approved by the County Council on 27th September 2017. The Local Code will be reviewed and updated during 2019. The principles contained in the Framework have been applied to the preparation of the AGS for the financial year 2018/19.
12. To ensure the AGS represents an accurate picture of the governance arrangements for the whole Council, each Director was required to complete a 'self-assessment' designed to provide details of the measures in place (systems, process, documents etc.) within their departments during the financial year 2018/19, to ensure conformance (or otherwise) to the Framework. The self-assessment also allowed for the recognition and

recording of areas where developments are required.

13. The departmental self-assessments required a corresponding score to be given reflecting the department's positions regarding practice, standards and quality. This is a gauge of effectiveness. The application of a more quantitative approach to assessing compliance against the principles contained in the Framework allows the Committee and public at large to obtain necessary assurance that the Council operates within an adequate internal control environment, thus complying with the seven core principles and best practice.
14. A number of Corporate Assurance Statements were also completed to gain an overall organisational perspective of processes in place as described by the seven core principles. These statements also allowed for the recognition and recording of areas where developments were required.
15. The completed statements were analysed along with various other sources of evidence to determine whether there are any significant governance issues that should be reported in the AGS. Other sources included:
 - a. Reports provided by internal and external audit and other assurance sources, and the implications of these reports for the overall governance of the Council;
 - b. The Head of Internal Audit Service's annual opinion on the overall adequacy and effectiveness of the Authority's control environment (its framework of governance, risk management and internal control arrangements);
 - c. Evaluation of any negative media articles.

Outcome of the 2018/19 review of the Governance Framework

16. Guidance states that 'Significant Governance Issues' are those that:
 - a. Seriously prejudice or prevent achievement of a principal objective of the authority;
 - b. Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in the significant diversion of resources from another aspect of the business;
 - c. Have led to a material impact on the accounts;
 - d. The Corporate Governance Committee advises should be considered as a significant issue for reporting in the AGS;
 - e. The Head of Internal Audit Service reports on as significant in the annual opinion on the internal control environment;
 - f. Have attracted significant public interest or have seriously damaged the reputation of the organisation;
 - g. Have resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer;
 - h. The issue has resulted in a legal breach or prompts intervention from a regulator.

17. During their review of the 2018/19 draft AGS the senior management group (paragraph 8 above) determined that there were no significant governance issues that require reporting.
18. The self-assessment process has confirmed that there is strong evidence of good governance. Nevertheless, further improvements to governance are planned in relation to the key challenges facing the Council in 2019/20 and throughout the timespan of the current MTFS. The senior management group charged with responsibility for producing the 2018/19 AGS has determined that progress on the development areas identified against each Principle in Section 5 of the Appendix should be the responsibility of service managers.

Note: Follow up on progressing the implementation of 2017-18 developments was undertaken in November 2018 and again in April 2019. Any 2017-18 developments that were not carried forward to 2018-19 or reported through the Corporate Risk Register process will continue to be monitored. Similarly, the group determined that those areas listed in the Future Challenges - Section 8 - will be subject to scrutiny through existing reporting channels.

19. The Code of Practice on Local Authority Accounting in the UK 2018-19 (the Code) states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported. Therefore, in the event of the above occurring, the AGS attached as an Appendix to this report would change.
20. Approval and ownership of the AGS has been reflected at corporate level and the statement will be signed on behalf of the Council by the Chief Executive and Leader of the Council and published on the County Council's website.

Recommendations

21. The Committee is requested to:
 - (a) Consider the draft AGS for 2018/19 attached as an Appendix to this report and indicate whether it is consistent with the Committee's own perspective on internal control within the Authority;
 - (b) Note that the AGS for 2018/19, which may be subject to such changes as are required by the Code of Practice on Local Authority Accounting, has been prepared in accordance with best practice.

Resource Implications

None.

Equal Opportunities Implications

None.

Background Papers

CIPFA/SOLACE: Delivering Good Governance in Local Government: Framework (2016, 2012 and 2007)

2018/19 - Departmental and Corporate self-assessments;

Circulation Under the Local Issues Alert procedure

None

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List of Appendices

Appendix – Draft Annual Governance Statement 2018/19

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