

Audit and Governance Committee

Meeting to be held on 29th September 2014

Electoral Division affected: None

Annual Governance Statement 2013/14

(Appendix A refers)

Contact for further information:

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Executive Summary

It is a requirement of the Accounts and Audit Regulations 2011 that all relevant bodies, of which the Council is one, approve an Annual Governance Statement (AGS). The AGS forms part of the County Council's Annual Statement of Accounts.

The AGS once approved by the Committee will be signed on behalf of the County Council by the Leader and Chief Executive.

Recommendation

The Committee is asked to consider and approve the AGS for the County Council, as set out at Appendix 'A', for signature by the Leader and Chief Executive and for inclusion in the County Council's Statement of Accounts for 2013/14.

Background and Advice

The Accounts and Audit Regulations 2011, requires all relevant bodies, of which the County Council is one, to prepare and approve an Annual Governance Statement. A requirement of the AGS is that reviews must be conducted of the governance arrangements in the authority. The AGS describes the governance arrangements in the authority and the process by which the review of those arrangements have taken place. The AGS will be included within the County Council's Statement of Accounts to be considered by the Committee at Item 9 on the Agenda

The Council's Management Team have given very careful consideration to the Council's Annual Governance Statement for 2013/14. The draft AGS presented by the Management Team at Appendix 'A' for the Committee's consideration, reflects the findings of Chief Internal Auditor in her Annual Audit Report presented at Item 5 on the Agenda, and her conclusion of a limited assurance overall of the Council's systems of internal control.

The Management Team, and the Chief Internal Auditor in reaching her conclusions, acknowledges that the Council has over the past twelve months experienced exceptional challenges which have absorbed and diverted a considerable amount of

senior leadership time. These circumstances, which are highlighted in the AGS and the Annual Audit Report, have had a significant impact upon a number of the issues relevant to the adequacy and effectiveness of the Council's control environment highlighted by the Chief Internal Auditor. It is particularly recognised that Members of the senior Management Team, and the council's statutory officers in particular, together with the Chief Internal Auditor, were obliged during 2013/14 to focus their attention on the matters exposed as two of the council's procurement processes were reviewed; the remuneration of the Chief Executive Officer of its joint venture company was discovered; the council's former Chief Executive and all of the senior managers seconded by the council to its joint venture company left the organisation; and the relationship with its strategic partner was renegotiated.

The Chief Internal Auditor has concluded that these matters alone indicate weaknesses in the council's corporate governance arrangements that preclude any more favourable evaluation of the council's risk management, control and governance processes. The Chief Internal Auditor notes that although these events took place in 2013/14, the issues they exposed are rooted in decisions made and actions taken from 2010 onwards.

The Chief Internal Auditor has pointed to a gradual deterioration over recent years of the level of assurance she has been able to provide, and to the previous even spread between substantial/full assurance and limited/nil assurance. That balance has now tipped to only limited/nil assurance now being provided over the majority of control systems for 2013/14. This change of balance is primarily accounted for by reduced assurance in lower risk areas. In summary:

- The results of audit assignments for areas of high and moderate risk are almost evenly spread between full/ substantial assurance and limited/ nil assurance; and
- The number of areas of low risk given limited/ no assurance has increased significantly since 2012/13.

The Chief Internal Auditor has recognised that after a number of years in which management and staff resources have been reduced, services restructured and operating processes redesigned, it is unsurprising that the council's control framework now requires more focussed management attention.

The Council's Management Team has given serious and careful consideration to the Chief Internal Auditor's opinion in relation to its internal control environment, risk management processes and corporate governance. The Management Team continues to give a very strong commitment to ensure that basic controls are maintained and, particularly in those cases highlighted by the Annual Report of the Chief Internal Auditor, significantly improved. All outstanding actions will now form part of the Chief Internal Auditor's Audit Plan for 2014/15 with the intention that all areas of high and moderate risk currently assessed as limited or nil assurance will achieve at least a substantial assurance assessment in the Chief Internal Auditor's report for the year ending 31 March 2015.

The Council's Leadership and Management Team acknowledge that the exceptional events of 2013/14 have been a diversion that has had an impact on the Council's

control environment. However, they are committed to ensuring that robust governance remains at the heart of the Council's business and will ensure that areas of concern highlighted by the Chief Internal Auditor's Annual Report will be rectified.

The AGS, once approved by the Committee, will be presented to the Chief Executive and Leader for signature.

The Audit and Governance Committee are asked to formally approve the AGS for 2014/15 for inclusion in the County Council's Statement of Accounts.

Consultations

Executive Directors individually and the Management Team.

Risk management

Risk management implications are highlighted in this report and within the AGS.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Directorate/Tel
Delivering Good Governance in Local Government – Guidance Note for English Authorities	2007	Roy Jones, Office of the Chief Executive, 01772 533619
Delivering Good Governance Addendum - 2012		
Reason for inclusion in Part II, if appropriate		
N/A		