

Report of	Meeting	Date
Head of Shared Assurance	Audit Committee	30 June 2011

ANNUAL GOVERNANCE STATEMENT

PURPOSES OF THE REPORT

- 1 To remind the Audit Committee of the regulatory framework requiring the Council to continuously review its system of governance and to formally publish an Annual Governance Statement (AGS) alongside its annual financial statements.
- 2 To explain the structure and processes which are in place within the Council to enable the AGS to be produced.
- 3 To invite Members to review and approve the draft AGS (shown at Appendix 1) which has been produced in accordance with guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 4 Thereafter the approved AGS will need to be formally signed-off by the Leader & Chief Executive and be submitted for external audit alongside the 2010/11 financial statements.

RECOMMENDATIONS

- 5 That members review the draft AGS which has been produced in accordance with CIPFA / SOLACE guidelines.
- 6 That members recommend that the AGS be formally signed off by the Leader and Chief Executive before being submitted for external audit alongside the 2010/11 financial statements.

EXECUTIVE SUMMARY OF REPORT

- 7 The Council is required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.
- 8 CIPFA and SOLACE have issued guidance explaining the required format of the AGS and the self-assessment process, which councils must undertake in order to compile it.
- 9 This report contains a draft AGS for 2011 for members' approval and gives assurance that it has been properly compiled in accordance with the prevailing guidance.



REASONS FOR RECOMMENDATIONS

- 10 To invite Members to review the draft AGS prior to it being formally signed off by the Leader and Chief Executive before being submitted for external audit alongside the 2010/11 financial statements.

ALTERNATIVE OPTIONS CONSIDERED & REJECTED

- 11 Not applicable to this report.

CORPORATE PRIORITIES

The report relates to the following strategic objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighborhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			x

BACKGROUND

- 12 Under the Accounts and Audit (Amendment) Regulations 2011 every Council is required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.
- 13 CIPFA and SOLACE have issued a new Framework and supporting guidance entitled "Delivering Good Governance in Local Government", under which councils are required to:
- develop and maintain an up-to-date local code of governance consistent with certain "core principles" set out in the Framework;
 - review their existing governance arrangements against the Framework;
 - prepare a governance statement in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- 14 The CIPFA SOLACE Framework defines proper practice for the form and content of the AGS, which subsumes the earlier requirement to prepare and publish an annual Statement on Internal Control (SIC).
- 15 The Framework requires the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the Council's system of governance.

- 16 The AGS is a corporate document and should involve (in addition to the most senior officer and the most senior member as signatories) a variety of people charged with delivering governance, including:
- the monitoring officer in meeting his/her statutory responsibilities;
 - the responsible financial officer who is responsible for the accounting control systems and the preparation of the statement of accounts;
 - directors assigned with the ownership of risks and the delivery of services;
 - members (e.g. through audit or scrutiny committees); and
 - others responsible for providing assurance (e.g. Internal & External Audit).
- 17 Thus as a corporate document, the AGS should be owned by all senior officers and members of the authority. A shared approach should be taken to compiling the AGS because any delegation to a single individual or section will dilute its significance and encourage other people to distance themselves from their proper responsibilities.
- 18 The guidance also states the need for a review body in the process such as the Audit Committee or Scrutiny role, which should be charged with critically reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

CORPORATE SELF-ASSESSMENT

- 19 A corporate group consisting of the following officers contributed to the self-assessment and draft AGS:
- Head of Governance (Monitoring Officer)
 - Director of Transformation (S151 Officer)
 - Head of Policy & Communications
 - Head of Shared Assurance Services
 - Internal Audit Manager
- 20 Section 5 of Appendix 1 discloses what the management group consider to be main opportunities to enhance the Council's governance arrangements taking account of organisational changes and the corrective action implemented following last year's self assessment. This view has been derived from the group's cumulative knowledge of the Council's system of governance and the views of independent assurance sources such as the Audit Commission.
- 21 Last year there were new requirements to assess the role of the Chief Finance Officer, to 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 has been repeated for 2010/11 and has again highlighted full compliance with the prevailing requirements.

SERVICE ASSURANCE STATEMENTS

- 22 In addition to the corporate self-assessment, assurance has also been obtained from Heads of Service, as it is they who are responsible for implementing the respective governance systems and procedures within their service areas. Service Assurance Statements have been compiled which require Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.

- 23 The completed Service Assurance Statements have been analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Again, any significant non-compliance issues emerging from the Service Assurance Statements have also been included in Section 5 of the AGS at Appendix 1.

FURTHER ACTIONS

- 24 Section 5 of Appendix 1 lists the actions that will be taken to address all the improvement opportunities that have been identified in the corporate self-assessment and service assessments. These actions will be fed into the Business Improvement Plans of the services concerned and progress will be reported to the Committee during the course of the new financial year.

IMPLICATIONS OF REPORT

- 25 This report has no implications for specific Services. The matters raised in the report are cross cutting and impact upon the authority as a whole

GARRY BARCLAY
HEAD OF SHARED ASSURANCE

Background Papers			
Document	Date	File	Place of Inspection
Accounts & Audit Regulations	2011	Shared Assurance Services	Civic Centre Leyland
Delivering Good Governance in Local Government (CIPFA / SOLACE)	2007		
Report Author	Ext	Date	Doc ID
Garry Barclay	(01772) 625272	13/6/11	2011 AGS.doc

CHORLEY COUNCIL

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

Chorley Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. The Council also complies with *CIPFA Statement on the Role of the Chief Finance Officer in Local Government 2010*.

A copy of the Code is on the Council's website at www.chorley.gov.uk. This statement explains how the Council complies with the Code and also meets its statutory requirements under Section 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the culture, values, systems and processes by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The following paragraphs describe the key elements of the systems and processes that comprise the authority's governance arrangements:

Identifying & communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The Corporate Strategy sets out the Council's vision, priorities and strategic objectives. These are derived from the Community Strategy, which clearly articulates a shared vision for the Borough of Chorley.
- Long term outcomes and interim performance targets have been established for each strategic objective.
- The Community Strategy and Corporate Strategy are published widely and are also available on the Council website and intranet.

Reviewing the authority's vision & its implications for the authority's governance arrangements

- The Community Strategy and Corporate Strategy are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework is in place for both the Council and the Local Strategic Partnership (LSP), the latter providing clear arrangements for joint working, including specific LSP projects.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Service level Business Improvement Plans contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both national performance indicators and local performance targets.
- This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council has an in-house performance management system from which reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.
- Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Audit Committee.

Defining & documenting the roles & responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Overview & Scrutiny Committees.
- The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority
- The Council publishes a Forward Plan containing details of key decisions to be made by the Council, its committees and chief officers under their delegated powers (and has specified what is significant expenditure in terms of the definition of a key decision).

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of personal interests and offers of gifts and hospitality.
- Both members and officers have been extensively briefed on personal conduct and disclosure requirements.
- An automated system has been established on the Council's intranet for officer disclosures.

Reviewing & updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks

- The Head of Governance arranges for the review of the Council Constitution on an annual basis. This includes a review of Standing Orders, Contract Procedure Rules, Financial Procedure Rules and Responsibilities for Functions.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities

- The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
 - Monitoring Officer;
 - Section 151 Officer;
 - Internal Audit;
 - External Audit;
 - Performance management system.
- The Council has designated the Head of Governance as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The standard committee reporting procedure and template now requires the monitoring officer to consider legality and compliance in respect of all decisions made by members.

Arrangements for whistle blowing and for receiving and investigating complaints from the public

- The Council has an up to date Whistle Blowing Policy, which has been widely publicised via the Council web site, intranet and other channels. All members of staff have been fully briefed on the Policy including how, and whom they should make a disclosure.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training

- Formal induction programmes and training & development plans are in place for both members and senior officers.
- All senior officers participate in the corporate staff appraisal scheme.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- Up to date strategies are in place in respect of communications, marketing and consultation.

Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities overall governance arrangements

- The Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.

4. Review of Effectiveness

Chorley Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Shared Assurance Services and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

Corporate Level Review

- A management group consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement:
 - Head of Governance (Monitoring Officer)
 - Director of Transformation (S151 Officer)
 - Head of Policy & Communications
 - Head of Shared Assurance Services
 - Internal Audit Manager

- The group have conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Service Level Review

- The Council has also introduced Service Assurance Statements requiring Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Monitoring Officer

- As the Council's Monitoring Officer, The Head of Governance has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Monitoring Officer will report and recommend to Council any proposed amendment to the Constitution, which falls outside the Monitoring Officers delegated powers, for adoption.

Scrutiny Committee

- The Council has an Overview and Scrutiny Committee which can challenge a decision which has been made by the Executive Cabinet or a statutory committee but not yet implemented, to enable them to consider whether the decision is appropriate.

Audit Committee

- The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

Standards Sub-Committee

- The Council has appointed a Standards Sub-Committee whose terms of reference comply with the guidance set out by the Standards Board for England, including the statutory functions in respect of the local Code of Conduct for Members.

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Service. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).
- The Internal Audit Team is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

- In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

5. Enhancing Our Governance Arrangements

The Council will take the following steps in the forthcoming financial year to build and strengthen our corporate governance arrangements:

- Establish clear terms of reference and feedback mechanisms for members working on outside bodies.
- Undertake an up to date review of compliance with CIPFA Standards on Audit Committees, including member development.
- Review all the key governance policies and provide awareness training for members and officers.
- Undertake further training to up-skill members and officers on financial matters, including treasury management.
- Update the Scheme of Delegation to take account of organisational changes resulting from the appointment of the new Chief Executive and review of the Planning Service.
- Update emergency plans and update/test business continuity plans to take account of recent & forthcoming organisational changes.

- For all higher value contracts over £75k, establish a requirement in Standing Orders for contractors to have a Whistle Blowing Policy in place or to follow that of the Council.
- Conduct service area self-assessments of compliance with the Council's information management policies, including data protection, freedom of information and document retention and arrange officer training on the same.
- Undertake an assessment of the impact on the Council of the Bribery Act 2010.

The majority of the above improvement actions are not new and represent the need to further embed or update frameworks or systems that have been previously introduced.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements through the corporate business improvement planning process. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr. P Goldsworthy
Leader of the Council

D Hall
Chief Executive

G Hall
Director of Transformation
(Section 151 Officer)

C Moister
Head of Governance
(Monitoring Officer)