



Report for:
ACTION

Contains Confidential or Exempt Information	NO
Title	Methodology for the Draft Annual Governance Statement 2013/14 & Review of AGS 2012/13
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Portfolio	Finance & Performance, Cllr Yvonne Johnson
For Consideration By	Audit Committee
Date to be Considered	20 March 2014
Implementation Date if Not Called In	N/A
Affected Wards	None
Area Committees	N/A
Keywords/Index	Audit Committee, Annual Governance Statement, AGS, 2013/14

Purpose of Report:

This report sets out the methodology for producing the Annual Governance Statement (AGS) for 2013/14 and provides an update on the status of the significant governance issues outlined in the 2012/13 AGS.

1. Recommendation

It is recommended that Audit Committee:

- Review the attached Methodology;
- Note the update on the status of the 12/13 significant issues; and
- Review the draft AGS Framework 2013/14

2. Reason for Decision and Options Considered

Regulation 4 of the Accounts and Audit Regulations (2011) required audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control each year with the authority's financial statements.

3. Key Implications

Members should note that the Chief Executive and Leader must sign the full 2013/14 AGS document, which will be published with the Statement of Accounts.

A key role of the Committee is to oversee the Authority's control environment and its associated system of internal controls and assurance processes. The Committee must satisfy itself that the Authority's assurance statements, in particular the Annual Governance Statement, properly reflect the risk environment and any actions needed to improve it.

4. Financial

The Annual Governance Statement will form part of the published Statement of Accounts for 2013/14.

5. Legal

The Accounts and Audit Regulations 2011 refer to CIPFA guidance in relation to the "proper practice" of internal audit. CIPFA guidance is therefore utilised in guiding the compilation of the AGS. CIPFA's original proper practice required the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent) to sign the statement. This is also required by the CIPFA/SOLACE framework for the AGS.

6. Value For Money

Compliance with best practice guidance ensures that the requirements of the Accounts and Audit Regulations 2011 will be met.

7. Sustainability Impact Appraisal

Not applicable.

8. Risk Management

The preparation of the AGS has been explicitly linked to the risk management framework within the authority. One of the key principles of good governance is "taking informed, transparent decisions and managing risk".

Strong governance should minimise officer distraction from key corporate objectives as a result of governance failure(s).

9. Community Safety

None.

10. Links to Strategic Objectives

A strong governance framework is a key element in achieving the strategic priorities of the Council.

11. Equalities and Community Cohesion

No Equality Impact Assessment has been undertaken, as the report does not affect the general duties of the Race Relations Amendment Act, and the requirements of other equalities legislation.

12. Staffing/Workforce and Accommodation implications:

None.

13. Property and Assets

None.

14. Any other implications:

None.

15. Consultation

The preparation of the AGS is an important task and as such preparation and challenge has been provided through a multi-disciplinary team. The AGS Working Group comprises the Director of Finance, Director of Business Services, Director of Legal and Democratic Services, Assistant Director of Core HR & OD, Director of Policy and Performance and the Head of Audit & Investigation.

The AGS will be prepared in draft using a variety of sources and discussed and challenged by the AGSWG between January and June 2014 along with supporting documentation. Feedback obtained at the meeting will be used to revise the Statement.

16. Timetable for Implementation

The final AGS will accompany the financial statements for approval by Council.

17. Appendices

Appendix 1: Methodology for preparation of the AGS

Appendix 2: Draft Annual Governance Statement 2013/14.

18. Background Information

- Accounts and Audit (Amendment) (England) Regulations 2011.
- Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities (2012 Edition).

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Helen Harris	Director of Legal & Democratic Services	30/01/14		
Maria Christofi	Director of Finance & Audit	30/01/14		
David Veale	Assistant Director HR & OD	30/01/14		
Mark Newton	Director Business Services	30/01/14		
Mathew Booth	Director Policy & Performance	30/01/14		

Report History

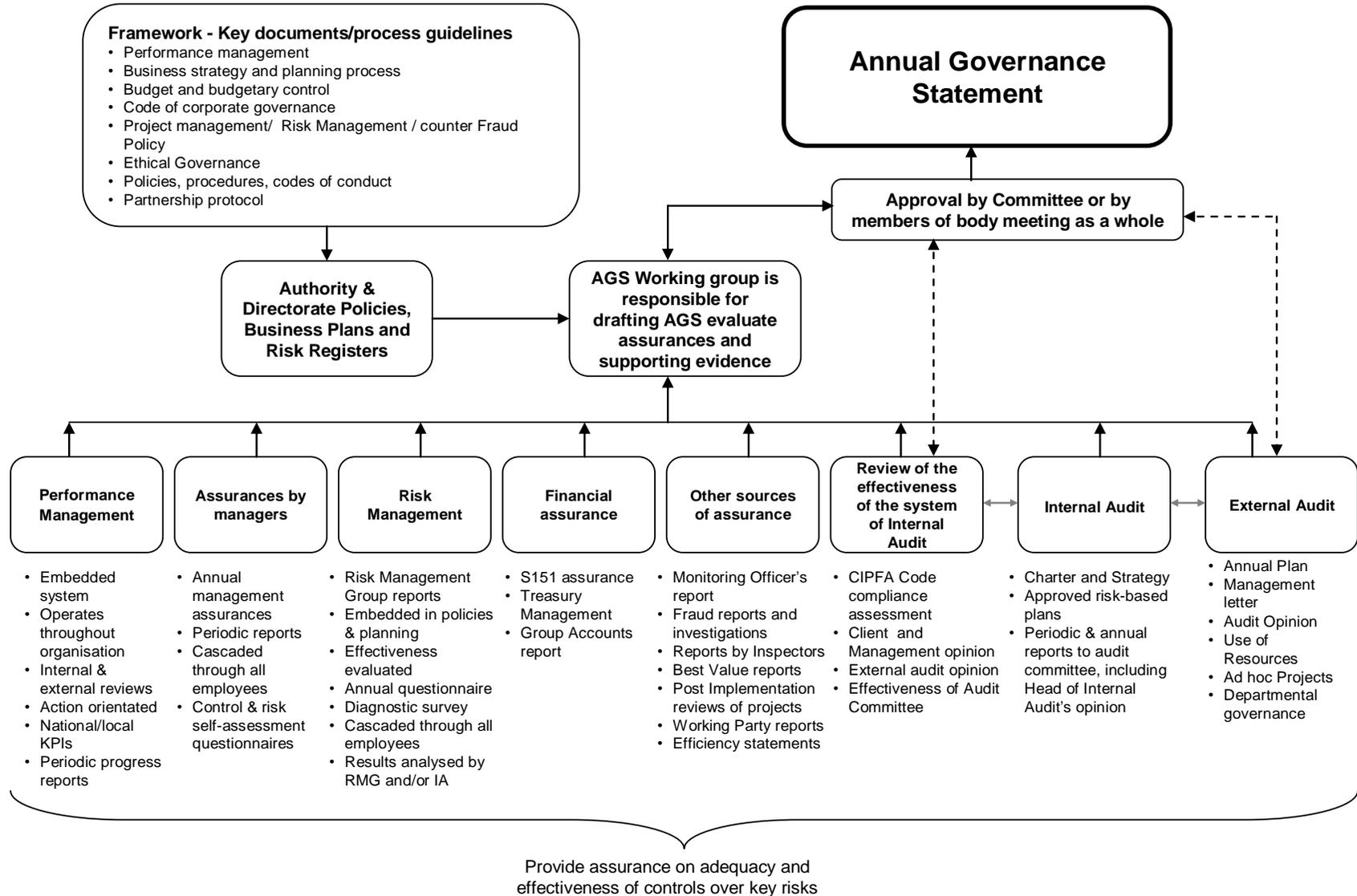
Decision type:	Urgency item?
For information	No

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:

Report no.:	Report author and contact for queries:
	John Allsop, Audit & Risk Manager

**THE ANNUAL GOVERNANCE STATEMENT
OVERVIEW & METHODOLOGY**

1. The Annual Governance Statement (AGS) is a key corporate document. It states whether the Governance arrangements in the organisation are effective and that any of areas of concern have been identified.
2. As a corporate document the AGS should be owned by all senior officers and members of the authority and an action plan put in place to address the areas of concern identified.
3. The most senior officer and the most senior member have joint responsibility for the accuracy and completeness of the AGS.
4. The AGS should be approved at a meeting of the authority or delegated committee.
5. Risk management should feature strongly in the AGS process. It should support the co-ordinating role of the corporate group by advising on risks to achieving corporate objectives and statutory requirements, which are set out in corporate, directorate and departmental risk registers, and how they are managed.
6. The Head of Internal Audit should provide a written annual report to those charged with governance timed to support the AGS.
7. A diagrammatical representation of the sources of assurance and the methodology in place to formulate the AGS is attached.
8. Significant issues for 2013/14 are circulated to the Annual Governance Statement working group for discussion. These issues are identified from
 - Press releases
 - Senior officer concerns
 - Internal audit reports
 - Reports from external agencies
 - Risk Registers
 - Letters of Representation



Framework for the Annual Governance Statement 2013/2014**1. Scope of responsibility**

Ealing 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, and 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 Delivering Good Governance in Local Government. A copy of the code can be obtained from the Council's Monitoring Officer.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the authority 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 services and value for money.

2.2 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 not fully achieving policies, aims and objectives and therefore provides a reasonable rather than 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.

2.3 The governance framework has been in place at Ealing Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

3. The Governance Framework

3.1 The Governance Framework is currently being updated to reflect the position during 2013.

4. Review of Effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.
- 4.2 The Council's review of the effectiveness of its system of internal control is informed by:
- The review of Internal Audit by External Audit on the extent to which they place reliance on key financial systems work done by Internal Audit;
 - A review of the effectiveness of its system of internal audit;
 - Performance against targets;
 - Letters of representation;
 - Customer quality assurance questionnaires; and
 - A review of the previous year's AGS.
- 4.3 The review of the effectiveness of the Council's governance framework is informed by the work of the Executive Directors who have responsibility for the development and maintenance of the governance framework, the Head of Audit and Investigation's Annual Report, comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Working Group (AGSWG) consider these sources of information and formulate the Annual Governance Statement.
- 4.4 The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the Annual Governance Statement and relevant supporting evidence. The AGSWG meets on a regular basis during the year to ensure compliance with the corporate timetable. The draft Annual Governance Statement is reviewed by the AGSWG to ensure early robust challenge. The AGSWG also undertook a review of the 2012/13 AGS, in particular the disposition of the significant governance issues identified.
- 4.5 The remit of the Audit Committee is to:
- Provide independent assurance of the adequacy of the risk management framework and the associated control environment;
 - Provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and
 - Oversee the financial reporting process.
- 4.6 The Audit Committee also reviews Internal Audit performance against targets and quality assurance results. Since its inauguration, the Committee has worked in tandem with Audit Board. The results are reported formally to the Committee and to Council. The Committee has also recruited an independent member in line with best practice.
- 4.7 Audit Board comprises of senior officers, meets quarterly and seeks to strengthen the assurance framework of the Council. Internal Audit and Investigation provides progress reports on internal control and counter fraud to Audit Board. Officers are also held to account by the Board through the use of challenge sessions to focus on any areas of weakness or non-compliance. Audit

Board also reviews the effectiveness of the risk management framework and the profile of the Council's strategic risks.

- 4.8 All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. The Monitoring Officer and the Legal Services Team monitor compliance with, and awareness of, key laws and regulations. Executive Directors, Directors and Service Heads are responsible for monitoring implementation of the Council's policies.
- 4.9 One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of the annual Letter of Representation (LoR) by senior officers. Executive Directors will be asked to compile their letter after reviewing the letters of representation from their directors. Directors will be asked to compile their letter after taking assurance from their direct reports.

5. Significant Governance Issues 2012/13

An update on the governance issues identified in 12/13 are provided in Table 1 below:

Table 1 2012-13 Governance Issues			
Issue	Actions	Officer Responsible	Timescale
<p>1. Enterprise Contract</p> <p>Service deterioration through the new Enterprise contract resulting in a negative impact on Council finances and reputation.</p>	<p>Performance through 2013/14 of the waste and recycling collections and street cleansing part of the contract continued to prove problematic and as a result an Improvement Notice was served on Enterprise which required them to submit and Improvement Plan [IP] for a range of services that would demonstrate how Enterprise intend to deliver the services to the standard required in the contract.</p> <p>The IP is in the final stages of finalisation and formal approval will be implemented from Feb/March 2014. Officers will closely monitor the implementation of the IP by Amey over a 3 month period, March - May inclusive and each element of the IP will be regularly reviewed to ensure that the service is being delivered to the required standard.</p>	Director of Environment and Leisure	Ongoing throughout 2014
<p>2. Welfare Benefit Changes</p> <p>Implementation of the Welfare Reform Act 2012 results in a negative impact on Council services, finances and reputation.</p>	<p>A regular welfare reform monitor is produced which provides metrics, performance information and narrative on the Policy objectives of the Council in relation to Welfare Reform. In addition reports on the impact of Welfare Reform are provided to Corporate Board.</p>	Executive Director of Environment & Customer Services	Ongoing to 2017

**Table 1
2012-13 Governance Issues**

Issue	Actions	Officer Responsible	Timescale
<p>3. Pupil Places</p> <p>The Council has a statutory duty to secure sufficient school places. Current projections for pupil places indicate that Ealing is facing a shortfall of 40 forms of entry (FE) for primary pupil places by 2015. The existing expansion programme has provided 25.5 additional FE. A further 14.5 FE were agreed in the budget for 2013-14 and beyond.</p> <p>At secondary schools it is projected that by September 2019, there will be a need for between 21 additional FE (this is on top of the establishment of the new high school in Greenford and expansion at one secondary school).</p> <p>It is anticipated that up to 300 additional specialist provision places will be required by 2024/25 at primary and secondary school age groups. In the shorter term (by 2015) expansions of primary aged provision are required</p> <p>This issue is also highlighted on the Councils Strategic Risk Register</p>	<p>Regular ongoing monitoring and reporting is being undertaken by members, senior manager and directors on a fortnightly and monthly basis.</p> <p>The Council is investing substantially in developing new primary school places to provide an additional 32FE. Major uncertainties relate to the impact of benefit changes and the recession on demand for places. Demand are being monitored closely.</p> <p>Officers are reviewing options for delivering expansion of secondary school places, looking at the most cost effective ways in which additional places may be provided.</p> <p>Discussions have been held with potential Free School Providers and the Education Funding Agency regarding primary and high school sites.</p> <p>Plans are being progressed to expand Castlebar, Mandeville and Springhallow schools.</p>	<p>Assistant Director: Schools Planning & RD</p>	<p>Ongoing to 2020</p>
<p>4. Budget Savings</p> <p>As part of the budget process leading up to Council tax setting in February 2013 savings of £87m over four years (2011/12 – 2014/15) were identified. These savings will be monitored closely over the next three years to ensure delivery by the service departments..</p>	<p>Savings tracker monitored monthly at FSG.</p> <p>Quarterly budget monitoring reports for Cabinet. Review annually at the Star Chamber.</p> <p>Detailed implications of all savings proposals are investigated and considered at an early stage in the decision making process</p>	<p>All EDG for Service delivery</p> <p>Monitoring reports and process DoF</p>	<p>Throughout next 3 years</p>

**Table 1
2012-13 Governance Issues**

Issue	Actions	Officer Responsible	Timescale
<p>5. Facilities Management Transition from an external supplier to an in house provision results in possible disputes and litigation.</p>	<p>Following the end of the contract with Interserve FM, the services and staff have been brought in house whilst longer term options are considered. The final financial position between the parties is in the process of being resolved.</p>	<p>Director of Business Services Group</p>	<p>Ongoing to 2014</p>
<p>6. Responsive Repairs Contracts A compressed tender timescale results in a negative impact on service provision.</p>	<p>Kier & Morrison have given notice to withdraw from the current responsive repairs contracts.</p> <ul style="list-style-type: none"> • Kiers to end August 2013 • Morrison to end February 2014 <p>Contracts were let successfully to MNM to replace Kier and Meads Building Services to replace Morrison. Morrison asked to be released from the contract early at the end of November 2013 and they were replaced by Meads Building Services at the start of December 2013. Customer reception to date has been positive and we expect to see this reflected in the PIs at the end of the financial year.</p>	<p>Assistant Director of Landlord Services</p>	<p>Ongoing</p>
<p>7. West London Waste Authority Concerns regarding the financial management of the WLWA resulting in an increase in the amount of the Council's Levy and 'Pay as you Throw' charges. The financial risk is in the region of £200k-£500k.</p>	<p>Following a number of interventions at a senior level, there are currently no concerns regarding the financial management of WLWA.</p>	<p>Executive Director of Environment & Customer Services</p>	<p>In Place</p>