

Title of meeting: Governance and Audit and Standards Committee
Date of meeting: Thursday 27 June 2013
Subject: Update on the Development of the 2012/13 Annual Governance Statement
Report From: Meg Southcott, Strategy Adviser, Strategy Unit
Wards Affected: None
Key Decision (over £250K) No

1. Purpose of Report

- 1.1. The purpose of this report is to:
- a) Provide an update on progress being made against the key governance issues, as highlighted in the 2011/12 Annual Governance Statement.
 - b) Provide an update on the development of the Annual Governance Statement for 2012/13.

2. Recommendations

- 2.1. It is recommended that the Governance and Audit and Standards Committee:
- a) Note the progress made against the 2011/12 annual governance issues.
 - b) Note the process followed to identify significant governance issues and consider the content of the draft 2012/13 Annual Governance Statement.

3. Background

- 3.1. The Authority has a duty to produce and publish an Annual Governance Statement in accordance with the Accounts and Audit (England) Regulations 2011. The Annual Governance Statement is a formal document signed by the Leader of the Council and the Chief Executive and will be presented alongside the annual accounts at the Governance and Audit and Standards Committee in September 2013.
- 3.2. The purpose of the Annual Governance Statement is to demonstrate that systems and processes are in place to ensure that Council business is conducted lawfully and in accordance with proper standards. It demonstrates that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also acknowledges the Council's responsibility to secure continuous improvement in the way in which its functions are exercised.

4. Progress Against the 2011/12 Annual Governance Issues

- 4.1. On 28th June 2012, the Governance and Audit and Standards Committee approved the 2011/12 Annual Governance Statement. As part of that meeting, the Committee noted the key governance issues and requested regular progress updates.
- 4.2. Progress has been made in tackling the governance issues identified in the 2011/12 Annual Governance Statement. A summary of progress can be found in **Appendix A**.
- 4.3. Progress will continue to be reported to the committee on a regular basis. It will also be monitored by the Corporate Governance Group on a quarterly basis.

5. Process for Developing the 2012/13 Annual Governance Statement

- 5.1. The Annual Governance Statement has been prepared in accordance with proper practice framework – Delivering Good Governance in Local Government – issued jointly by the Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2007 (addendum issued in December 2012). The six principles and standards that are set out in the framework are aimed at helping local authorities to develop and maintain sound governance arrangements. The table in **Appendix B** acts as a checklist to ensure that Portsmouth City Council have provided sufficient evidence under each of the principles/standards in the 2012/13 Annual Governance Statement.
- 5.2. At the Governance and Audit and Standards Committee of the 14 March 2013 a discussion was held around engaging local people/ensuring robust accountability (one of the six principles). There was concern raised over the wording in the 2011/12 Annual Governance Statement which implies that clear channels of communication have not been established with all sections of the community. The committee asked for more information about the improvements that could be made to ensure channels of communication are used to full advantage. The wording of the 2012/13 statement has been updated (see p7 of the draft statement) to provide more detailed information about how the Council ensures effective engagement with all residents and stakeholders.
- 5.3. The content of the 2012/13 Annual Governance Statement has been updated with input from relevant officers to ensure that current practice is reflected.
- 5.4. A number of sources have been reviewed for significant governance issues as detailed in the section below.
- 5.5. The draft Annual Governance Statement for 2012/13 can be found in **Appendix C**.

6. Significant Governance Issues for 2012/13

- 6.1. The table on pages 10-14 of the draft Annual Governance Statement summarises the key governance issues for 2012/13, the source of information whereby they have been identified and the actions required to address them.
- 6.2. Although significant progress has been made against the issues identified in the 2011/12 Annual Governance Statement, it is proposed that some of the issues roll over into the 2012/13 Annual Governance Statement to allow further work to take place.
- 6.3. On the 14 November 2012, the Strategic Directors Board (SDB) confirmed that services are expected to comply with nine controls under the corporate governance framework. The controls were selected on the basis that they cover all six governance principles (and are deemed critical to meeting the council's business needs).
- 6.4. In March 2013 Heads of Service were asked to complete an internal control questionnaire, to evaluate their compliance with the controls. All services returned the questionnaire (which is a significant improvement on last years' response) and based on the analysis three consistent compliance issues have emerged. These have been incorporated into the Annual Governance Statement and will be the focus of the coming year and Heads of Service will be given a personalised action plan to improve compliance in their service based on their internal control questionnaire responses.

- 6.5. Heads of Service have been issued with detailed guidance setting out their responsibility to comply with the controls, the key compliance measures and tools available to monitor them. Some services have made suggestions for additional mechanisms to monitor/evidence compliance e.g. a template to carry out clear desk/clear screen audits. Work will take place with Policyholders (who are assigned to each control) to ensure sufficient tools are put in place.
- 6.6. No significant governance issues were identified from the self-assessment of the Governance and Audit and Standards Committee, which was carried out in March 2013. Following the comprehensive checklist exercise, it was concluded that sufficient processes are in place to support the committee to be effective.
- 6.7. To support the review of effectiveness of the Council's governance arrangements, a number of additional sources have been reviewed and emerging issues identified. The sources include:
- Recommendations from the Corporate Peer Challenge (March 2013)
 - Recommendations from the Safeguarding Peer Review (November 2012)
 - Recommendations from the LA focused Ofsted Inspections (February 2013)
 - The Annual Audit Letter (2011/12)
 - City Deal Bid

7. Further Work

- 7.1. The 'Significant Governance Issues' section of the 2012/13 Annual Governance Statement needs to be finalised. The Governance and Audit and Standards are asked to identify any outstanding areas where they believe there are significant governance issues. The following sources will need to be reviewed for any issues over the next 3 months:
- Annual Complaints/Members Complaints (2012)
 - Recommendations from the Information Gov/Data Protection Audit (June 2013)
 - External District Audit Report (2013)
 - Internal Auditors Annual Opinion (2013)
 - Critical Exceptions Report (2013)
 - Office of Surveillance Commissioners Report (2013)
 - Employee Opinion Survey/Pulse Results (May 2013)
- 7.2. As part of the framework for corporate governance, Portsmouth City Council has published a Local Code of Corporate Governance (see **Appendix D**), which sets out how it will achieve the six principles set out in the CIPFA/SOLACE guidance. The Local Code of Corporate Governance outlines how the Council is accountable to its users, stakeholders and the wider community and describes how its functions are carried out through its members, employees, procedures and processes by which it undertakes its work.
- 7.3. The content within the Local Code of Corporate Governance needs to be updated as a priority. Reference links need to be updated to reflect current procedures/processes and it is suggested that the local code is amended to reflect how the Council's nine internal governance controls (agreed in November 2012) support the six CIPFA/SOLACE principles.
- 7.4. The final draft of the 2012/13 Annual Governance Statement, and a copy of the updated Local Code of Corporate Governance will be brought to the next Governance and Audit and Standards Committee for approval, alongside the annual accounts.

8. Equality Impact Assessment (EIA)

- 8.1. An equality impact assessment is not required as the recommendations don't have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

9. Legal Implications

- 9.1. Legal considerations have been taken into account in the preparation of this report and where appropriate embodied within it.

10. Head of Finance Comments

- 10.1. There are no financial implications arising from the recommendations in this report.

Signed by: Jon Bell
Head of HR, Legal and Performance

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Appendices:

Appendix A	Summary of Progress Against the Issues Identified in the 2011/12 Annual Governance Statement
Appendix B	Framework for Delivering Good Governance in Local Government
Appendix C	Draft 2012/13 Annual Governance Statement
Appendix D	Local Code of Corporate Governance

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Annual Governance Statement 2011/12	Strategy Unit
Self-Assessment Checklist	Strategy Unit
Analysis of Internal Control Questionnaires	Strategy Unit
Good Governance Guidance	Strategy Unit
Recommendations from the Corporate Peer Challenge (March 2013)	Strategy Unit
Recommendations from the LA focused Ofsted Inspections (Feb 2013)	Strategy Unit
Access to Information Annual Report (2012)	Strategy Unit
Annual Audit Letter 2011/12	Internal Audit
City Deal Bid	Strategy Unit