Committee: General Purposes Committee
Date: 17th September 2014

Agenda item:
8 Wards: All

Subject: **Annual Governance Statement 2013/14,**

Lead officer: Caroline Holland – Director of Corporate Services

Lead members: Chair of General Purposes Committee

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Recommendations:

   A. That the General Purposes Committee agrees the final Annual
       Governance Statement.

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1.   PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1   Merton Council is required to prepare an Annual Governance
       Statement (AGS) for the year 2013/14. This statement is required in
       order to comply with Regulation 4(3) of the Accounts and Audit
       Regulations 2011.

1.2   A draft copy of the AGS was agreed at Standards Committee and
       General Purposes Committee in June 2014, subject to Implementation
       dates being added to the improvement plan going forward.

1.3   A review of the AGS by external audit, recommended some minor
       amendment and the following to be included in the AGS.

       ►   *Reference to effectiveness of the arrangements are in place for the
             discharge of the monitoring officer and the head of paid service function*

       ►   Assessment of the core functions of the General Purposes Committee
             against the guidance in *Audit Committees: Practical Guidance for Local
             Authorities*

1.4   A review of the core functions of the General Purposes committee
       against the Cipfa identified that the committee supports all areas of
       governance, except risk management. This was last reported to GP
       committee in June 2012. The governance arrangements for risk are
       however covered by other committees:-

       •   Key strategic risks are reported quarterly to Overview and
            Scrutiny committee and Cabinet

- Risk strategy is included in the business plan which is presented to Council on an annual basis.

2. DETAILS

2.1 The purpose of the AGS is to report on the robustness of the Council's governance arrangements. Corporate governance is defined, for the purposes of this report, as:

> " The framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations."

2.2 The AGS is effectively a commentary on how well Merton Council manages itself. In recognition of this, a Corporate Governance Steering Group was established in 2007/08, the first year when the AGS came in to force, in order to oversee and advice on the preparation of the AGS. The current membership of this group is:

Caroline Holland	Director of Corporate Services
Margaret Culleton	Head of Audit & Investigations
Kate Herbert	Head of Policy, Strategy and Partnerships
Zoe Church	Head of Business Planning
Fiona Thomsen	Head of Shared Legal Services
Julia Regan	Head of Democracy Services
Karin Lane	Head of Information Governance
Adam Viccari	Head of Safety Services

2.3 The Framework consists of six core principles:

Principle 1
Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Principle 2
Members and officers working together to achieve a common purpose with clearly defined functions and roles

Principle 3
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Principle 4
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Principle 5
Developing the capacity and capability of members and officers to be effective

Principle 6

Engaging with local people and other stakeholders to ensure robust public accountability

2.4   The CIPFA/SOLACE Joint Working Group issued an addendum to the framework and a revised guidance note in December 2012.

2.5   The guidance note highlights a number of developments since the launch of the framework. These areas were covered in the AGS for 2013/14. Recent changes however are detailed below.

Transparency

2.6   The government is committed to increasing transparency across Whitehall and local authorities in order to make data more readily accessible to the citizen and to hold service providers to account. The Department for Communities and Local Government published The Local Government Transparency code 2014, which sets out the data to be published and also data recommended for publishing. The council has met most of the requirements of the code. A top level structure chart has been published and work is in progress to publish the outstanding data of the council's organisation chart and pick up on any new requirements.

Changes to Local Authority governance structures

2.8   Commissioning and Partnerships with other local authorities and sectors are being used more to deliver public services in local authorities. Each partner organisation may have its own governance and accountability structure, its own code of conduct and risk management arrangements. It is important that clear lines of accountability for stakeholders and customers are demonstrated.

2.9   A review will be carried out in 2014/15 on the governance arrangements in place for the councils shared services to ensure that requirements such as FOI and the council's code of conduct are followed.

Review of effectiveness

2.10   The council has a responsibility for conducting, at least annually, an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

2.11   An external review was carried out in March 2014 on the effectiveness of internal audit. This review found that the service provided at Merton conformed to the Public Sector Internal Audit Standards.

2.12   The review of effectiveness of the system of internal control is informed by the work of the internal auditors. Effectiveness of the system is also conveyed by Directors, Assistant Directors and Heads of Service within the authority that has responsibility for the development and

maintenance of the internal control environment. The overall opinion is that the internal control environment is satisfactory.

Counter fraud arrangements

2.13   The council currently has a corporate investigation team within the Audit & Investigation service that investigates both welfare and non welfare benefit. From November 2014, the posts within this team will be transferred to the DWP under the single fraud investigation service. An anti-fraud function will be established either within the Audit & Investigation Service or provided by a 5 borough shared fraud service led by Wandsworth which is currently being considered.

2.14   The Audit & Investigation service has anti fraud policies in place, including strong Whistleblowing arrangements and the Head of Audit & Investigations reports all cases of Whistleblowing on an annual basis to the general purposes committee

Internal Audit Annual Report

2.12   The council has a responsibility for conducting, at least annually, an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors. Effectiveness of the system is also conveyed by Directors, Assistant Directors and Heads of Service within the authority that has responsibility for the development and maintenance of the internal control environment.

2.13   The Annual Report summarises the work of Internal Audit in 2013/14 and provides the Head of Audit opinion on the adequacy and effectiveness of the internal control environment. This report was presented and approved at General Purposes Committee on the 26th June 2014.

2.14   The overall opinion is that the internal control environment is satisfactory. 79% of Internal Audit reviews provided satisfactory or above levels of assurance. This is the higher than last year (70%).

2.15   Some concerns still remain in procurement issues, with a number of issues being raised by Internal Audit. Other issues identified during audit review were the lack of audit trail or clear processes in particular in service specific areas such as adoption (financial review), street market traders and No Recourse to Public funds.

3.   **ALTERNATIVE OPTIONS**

3.1   There are no alternative options as the AGS is a statutory requirement, as stated at paragraph 1.1 above.

4. CONSULTATION UNDERTAKEN OR PROPOSED

4.1   No external consultation has taken place or is planned for this document.

5. TIMETABLE

5.1   This report has been prepared to meet the timetable for the approval of the Statement of Accounts.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1   There are no specific financial, resource or property implications apart

6.2   from the need to implement the AGS Improvement Plan, which will be completed within existing resources

4. LEGAL AND STATUTORY IMPLICATIONS

6.1   The AGS is a statutory requirement, as stated at paragraph 1.1 above.

5. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1   There are no specific human rights, equalities or community cohesion implications, except in so far as this report is wholly concerned with good governance

6. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1   There are no specific risk management or health and safety implications other than the assessment of the Council's risk management arrangements in the AGS

7. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

10.1   Appendix I: Annual Governance Statement 2013/14

8. BACKGROUND PAPERS – THE FOLLOWING DOCUMENTS HAVE BEEN RELIED ON IN DRAWING UP THIS REPORT BUT DO NOT FORM PART OF THE REPORT

11.1   CIPFA / SOLACE Delivering Good Governance in Local Government – Framework

11.2   CIPFA / SOLACE Delivering Good Governance in Local Government – Guidance Note for Local Authorities 2012

11.3   CIPFA Rough Guide to Annual Governance Statement

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