

**2012-13 ANNUAL GOVERNANCE STATEMENT**

**1. Proper Practices**

- 1.1 The preparation and publication of this Annual Governance Statement is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit (England) Regulations 2011, which requires an authority to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to “prepare an annual governance statement, prepared in accordance with proper practices in relation to internal control”.
- 1.2 This Governance Statement reflects “proper practices”, as detailed by CIPFA/SOLACE in their 2007 document entitled “Delivering Good Governance in Local Government: Framework”, for the form and content of a governance statement that meets the requirement, to prepare and publish an Annual Governance Statement in relation to internal control, in accordance with Regulation 4(2) of the Accounts and Audit (England) Regulations 2011.
- 1.3 An addendum to the 2007 document was published in 2012 to assist authorities and partnerships to review the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

**2. Scope of Responsibility**

- 2.1 Calderdale Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 2.2 Calderdale 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.
- 2.3 In discharging this overall responsibility, Calderdale 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.
- 2.4 Calderdale Council has approved and adopted a Code of Corporate Governance, (the Code) which is consistent with the principles of the Chartered Institute of Public Finance (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework, *Delivering Good Governance in Local Government*.

- 2.5 This Governance Statement explains how Calderdale Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.
- 2.6 The Council's Code of Corporate Governance was fully reviewed during 2012-13 with the changes approved by the Audit Committee in March 2013.

### **3. The Purpose of the Governance Framework.**

- 3.1 The governance framework comprises the systems processes, culture and values by which Calderdale Council is directed and controlled and the 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.
- 3.2 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 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 risks to the achievement of Calderdale'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.
- 3.3 The governance framework, as detailed in paragraph 4 below, has been in place at Calderdale Council throughout the year ended 31<sup>st</sup> March 2013 and up to the date of approval of the statement of accounts.

### **4. The Governance Framework**

- 4.1 As stated above, Calderdale Council has approved and adopted a Code of Corporate Governance (Published on the Councils internet) which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*.
- 4.2 The key elements of the systems and processes that comprise the authorities governance arrangements are described more fully within the Calderdale Council Code of Corporate Governance, but briefly, include the following: -
- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users,
  - Reviewing the authority's vision and its implications for the authority's governance arrangements

- Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- Developing, communicating and embedding codes of conduct defining the standards of behaviour for both Members and officers
- Reviewing, updating on an annual basis and embedding Financial Procedure Rules, including Contract Procedure Rules, the Section 151 Financial Standards, the scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risk throughout the organisation as a whole.
- Ensuring the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010), and on the Role of the Head of Internal Audit (2010).
- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Ensuring compliance with the Councils Information and Communication Technology control environment throughout the organisation.
- Having in place a robust Anti-Fraud and Corruption control environment which includes a whistle-blowing facility including the receiving and investigating of complaints from the public
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.
- Compliance with the Calderdale Council Quality Assurance Model with regard to ensuring that there is director ownership, backed up with robust directorate and corporate evidence to test the soundness of the systems of internal control in place throughout the Council.
- Delivery of the council's corporate priorities is supported by directorate plans, service plans, team plans and individual

performance development reviews. These all include targets and exhibit robust performance management standards throughout the council.

- There is a strong risk management function in the council with a cross directorate officer group in place ensuring that issues and concerns are shared and that a consistent approach is adopted throughout the council. There is a risk management strategy and framework in place which is reviewed annually and approved by the audit committee.

4.3. The 2011-12 CIPFA Code of Practice on Local Authority Accounting introduces a requirement that the authority includes a specific statement within the Annual Governance Statement on the extent to which the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010), as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

4.4. On reviewing the Application Note, it is considered that the authority's financial management arrangements do conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

## **5. The Review of Effectiveness**

5.1 Calderdale Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control, taking into account risk. The review of effectiveness is informed by: -

- The work of Directors within the authority who have the responsibility for development and maintenance of the governance environment within their directorate's,
- The Head of Internal Audit's annual opinion as detailed within the Internal Audit annual report, and this governance statement,
- The annual review of the Calderdale Code of Corporate Governance,
- Recommendations made by the Council's external auditors and other review agencies and inspectors.
- The work of the Council's Audit Committee who have the responsibility for governance.
- The Audit Committee's Annual report.
- The work of the Council's Standards Committee.
- The Standard Committee's Annual report.
- The Calderdale Quality Assurance Model
- The annual review of the effectiveness of Internal Audit.
- The Council's Governance and Business Committee.

- The statement on whether the authority's financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

## 5.2. The Council's Senior Management Team (SMT)

5.2.1. The Chief Executive has a special responsibility with regard to the Council's governance arrangements. As such she is the head of the Council's Senior Management Team whose members, the council's Directors, also have a key role to play with regard to governance arrangements throughout the Council as a whole. All members of SMT are signed up to the Calderdale Quality Assurance Model which continually reviews and evidences the strength of governance arrangements actually in place within each directorate of the Council. They also have a governance responsibility for: -

- Quarterly reports to Cabinet on budget monitoring and outturn forecasts.
- Annual reports presented to the Council's Senior Management Team on issues such as Risk Management and Health & Safety.
- Reports presented to Cabinet from all external inspectorates, with appropriate action plans prepared in order to action recommendations made.

## 5.3. The Audit Committee

5.3.1 The Audit Committee is the body charged with the responsibility for governance and as such has its terms of reference detailed within the Council's Constitution at Part 3: 4-12.

5.3.2. The Committee during 2012-13 consisted of 7 elected Members, chaired by a non executive member of Council plus the Leader and Deputy Leader of each of the three largest party groups. The audit Committee acts independently of both the executive and scrutiny functions.

5.3.3. One of the Audit Committee's core functions is to contribute towards improved corporate focus on issues arising from governance, risk management, internal control and financial reporting.

5.3.4. The Audit Committee is the designated committee to consider the annual review of the effectiveness of the system of internal control in the Council and the review of the effectiveness of internal audit in compliance with the Accounts and Audit (England) Regulations 2011.

5.3.5 The Audit Committee carries out a self assessment each year, completed by both members and officers on how effective they have

been during the financial year. The Audit Committee also publishes an annual report each year which is presented to full Council.

#### 5.4. Scrutiny Panels

5.4.1. Within their terms of reference, Scrutiny Panels will;

- i) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's or executive's functions;
- ii) Make reports and/or recommendations to the Council and/or the Cabinet as appropriate in connection with the discharge of any functions;
- iii) Contribute towards Best Value Reviews for recommendation to Cabinet;
- iv) Consider and make reports or recommendations to the Council or Cabinet on any matter affecting the area or its inhabitants; and
- v) Exercise the right to call-in, for reconsideration, decisions made but not yet implemented by Cabinet.

5.4.2 The Overview and Scrutiny Rules of Procedure are set out within Part 4 of the Council's Constitution.

#### 5.5. The Standards Committee

5.5.1 The Standards Committee has its terms of reference detailed within Part 3: 4-3 of the Council's Constitution.

#### 5.6. Internal Audit

5.6.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

5.6.2. Internal Audit reviews the control environment in place within the Council on a cyclical basis, taking into account all the governance issues as set out within the Calderdale Code of Corporate Governance, and evaluating both corporate and directorate effectiveness in achieving the Council's corporate objectives. Internal Audit will also objectively examine, evaluate and report on the adequacy of the control environment as a contribution towards the proper economic, effective and efficient use of resources.

- 5.6.3 Internal Audit operates to proper practices, which are defined as those standards set out within the Public Sector Internal Audit Standards with effect from April 2013.
- 5.6.4 A review into the effectiveness of the Council's internal audit service is carried out annually by external audit with the results being reported to and considered by the Audit Committee, as part of the Internal Audit annual report.
- 5.6.5 Internal Audit reports to the Council's Audit Committee twice a year on its work programme and the Head of Internal Audit attends every meeting.
- 5.6.6. The role and responsibilities of Internal Audit are set out within Part 4: 8-6 of the Council's Constitution under Financial Procedure Rules.
- 5.6.7 During the course of 2012-13 Internal Audit has carried out assurance work in the following areas: -
- Fundamental system based audits on all core financial systems of the Council.
  - Financial and non-financial governance audits for each directorate with regard to compliance with all the Council's written policies and procedures, as set out within the Council's Code of Corporate Governance. (Each directorate governance area is covered on a two year rolling programme).
  - A phased programme of audits covering major purchasing within directorates with regard to ensuring compliance with Contract Section 151 Standards and the Council's Financial Procedure Rules.
  - A phased programme of audits covering information, communication and technology standards in place within directorates.
  - The audit of compliance with both the officer's and Members' Code of Conduct.
  - Further development and continuous review of the effectiveness of the Calderdale Quality Assurance Model along with collation and dissemination of the signed governance assurance statements received from directors and corporate nominated officers.

- Governance audits in order to provide verification of the accuracy of the signed governance assurance statements provided by directors and corporate nominated officers.
- Completion of other audits, including Council establishment and site visits taking into account risk, as part of the Internal Audit planning process.
- Continuous review and update of the policies and strategies in place with regard to the prevention and detection of fraud and corruption.
- A phased programme of school audits which ensures that there are effective procedures in place for forecasting pupil numbers at school level and that actual pupil numbers at the relevant date is accurate. Pupil numbers is the basis upon which Dedicated Schools Grant is calculated and paid to the Council.
- Taking part in the National Fraud Initiative managed currently by the Audit Commission.
- Testing how well governance awareness is embedded throughout the Council by the issue of questionnaires to a sample of staff and managers within all directorates.

5.6.8 From the audit work undertaken throughout 2012-13, the Head of Internal Audit has formed the opinion that overall;

- a) The key financial systems of the Council are operating soundly with strong internal controls in place.
- b) There is no fundamental or material breakdown of controls resulting in material discrepancy within the systems of internal control throughout the authority.
- c) Internal controls within the authority can be evidenced to be robust with a sound control environment in place.
- d) There is a robust assurance gathering process in place within the Council which provides evidence to fully support the preparation and approval of the Annual Governance Statement.
- e) An annual review of the Council's internal audit service in compliance with the Accounts and Audit (England) Regulations 2011 has been carried out with the result that Internal Audit is regarded as effective.

The Head of Internal Audit does however have some concerns which are detailed within paragraph 6 below.

5.6.9 As a result, having also independently reviewed the evidence supporting the 2012-13 Annual Governance Statement, as provided by Directors and corporate nominated officers in the form of signed assurance statements as part of the Quality Assurance Model, the Head of Internal Audit concludes that the Council's annual Governance Statement accurately represents the current position as required by Regulation 4 (2) of the Accounts and Audit (England) Regulations 2011.

#### 5.7. External Audit Reports

5.7.1 External Audit prepares reports throughout the year, which informs the status of the Council's internal control environment within the authority.

5.7.2 The Council's External Auditor has consistently reported in their Interim reports to those charged with governance that the Council has good arrangements in place for producing the Annual Governance Statement (AGS).

#### 5.8. Other Independent Review/Assurance Mechanisms

5.8.1 The Council continues to scrutinise and implement all recommendations made by other agencies carrying out inspections on Council procedures and service provision including those with relevance towards the Council's control environment and governance arrangements. Accepted recommendations are included within directorate/service improvement plans where appropriate.

5.8.2 The Council has considered and adopted a number of recommendations contained within external inspectorate reports, particularly where they would benefit the internal control framework. The most significant and relevant reports received with regard to the Council's governance and internal control arrangements are as follows:

- The External Audit Annual Interim and Final Internal Control Report issued to those responsible for governance
- The External Audit Annual Audit Letter on the Councils accounts and governance arrangements.
- External Audit report on grant claims and returns
- External Ofsted inspection into safeguarding and looked after children.

## 5.9. Governance and Business Committee

5.9.1 The Council's Governance and Business Committee has its terms of reference detailed within Part 3: 4-3 of the Council's Constitution.

## 6. Significant Governance Issues.

6.1 The review of effectiveness processes outlined in paragraph 5 above, revealed the following significant internal control issues: -

- An improvement notice was issued to the Council by Ofsted due to poor performance in Children's social care services, on the basis of evidence contained in the:
  - Report of the inspection of safeguarding and looked after children's services carried out by Ofsted and Care Quality Commission (published 26<sup>th</sup> February 2010) which judged the overall effectiveness of the Council's safeguarding services to be "inadequate";
  - Report of the unannounced inspection on contact, referral and assessment carried out by Ofsted (published 16<sup>th</sup> February 2011); and
  - Findings of the Peer Challenge Review commissioned by the Council (letter dated 7<sup>th</sup> November 2011)

Since the improvement notice was issued, the Director of Children Services and Lead Member for Children Services have agreed with all partners of the Calderdale Children's trust a Single Integrated Improvement Plan which responds to all of the criticisms in these documents and meets the challenges posed in the Improvement Notice. This Improvement Plan is monitored via an Improvement Board which is independently chaired and sits under the oversight of the Department for Education. This plan contains a large number of improvement activities, each of which is closely monitored and reported upon at each Board meeting. It was hoped that the council would via this process be judged sufficiently improved to have had the Improvement Notice lifted, following a return inspection by Ofsted which is expected before the autumn.

However the notice is still in place and therefore it was felt appropriate to include the item in the 2012-13 Annual Governance Statement and until such time as the notice is lifted.

- Reviews by Internal Audit into the use of architectural and related consultants revealed weaknesses in the Council's use of those consultants along with related contract management and therefore it was felt appropriate to include the issue within the 2012-13 Annual Governance Statement.

(Source: 2012 Internal Audit reports on the Use of Consultants and subsequent follow-up audits)

Note; this item was also reported in 2009-10, 2010-11 and 2011-12 Annual Governance Statements. Some actions have been taken over that period especially with regard to inclusion of improvements within the CAFM review. However, weaknesses were identified during 2012-13 with regard to the use of consultants which is the reason why the item is still included in the 2012-13 Annual Governance Statement. Internal Audit will continue to review the situation during 2013-14 as required by the Audit Committee to review whether the situation improves sufficiently to be removed from the 2013-14 Annual Governance Statement.

- 6.2 Action plans, including entries where appropriate are in place to ensure that the significant governance issues raised above will be dealt with.

Signed by the  
Chief Executive  
24<sup>th</sup> June 2013

Signed by the  
Leader of the Council  
24<sup>th</sup> June 2013