

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>23 SEPTEMBER 2014</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL GOVERNANCE STATEMENT 2013-14</b>
<b>PURPOSE OF REPORT:</b>	<b>PRESENTING DRAFT OF THE GOVERNANCE STATEMENT FOR APPROVAL</b>
<b>REPORT BY:</b>	<b>DEPUTY CHIEF EXECUTIVE</b>
<b>ACTION:</b>	<b>TO APPROVE ANNUAL GOVERNANCE STATEMENT</b>

## 1. **Background**

- 1.1 This is the covering report to enable final approval of the Annual Governance Statement for the last financial year. The current draft is an updated version of the draft brought to Audit Committee in July, and incorporates the comments of the Audit Committee, and those of officers and members.

## 2. **Need for Annual Governance Statement**

- 2.1 The Council is required to review at least once in a year of the effectiveness of its system of internal control and governance arrangements and publish a statement reporting on the review at the same time as the Statement of Accounts.
- 2.2 This requirement is based on the CIPFA/SOLACE Statement from 2007 on Delivering Good Governance in Local Government. It is now a statutory requirement in England and since 2011 has had almost the same status in Wales. The expectation is that each authority adopts a local code of governance based on the principles in the CIPFA/SOLACE framework then conducts a review against the framework and the local code. The Local Code of Governance appears on the Council's website at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance-/corporate-governance/>

## 3. **Role of the Audit Committee**

- 3.1 The approval of the Annual Governance Statement (prior to signing by the Leader and the Chief Executive) is in the Terms of Reference of the Audit Committee.

3.4.8.1.1. (viii) to ensure that the authority has a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk and adequate and effective financial management. To review the effectiveness of internal control at least once a year and approve an Annual Governance Statement for inclusion with the authority's Statement of Accounts.

3.2 Bringing this up to date: CIPFA's updated guidance on Audit Committees suggests the following responsibilities in relation to the AGS:

- "To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control."

#### 4. **Amendments and Next Steps**

4.1 The main amendments to the draft considered in July are:

- to include a further item in the list of significant governance issues – the issue of compliance with policies raised by Internal Audit;
- the actions for the significant governance issues;
- an update to the section on management arrangements;
- completion of the small number of blanks;
- in response to the comments at the self-assessment workshop, those of officers and of other consultees.

4.2 The detailed action plan is being prepared in consultation with the officer corporate assessment group and will be brought back to this committee at its next meeting.

#### 5. **Recommendation**

5.1 That the Audit Committee approves the Annual Governance Statement and refers the document to the Leader of the Council and the Chief Executive for signature.

**EINIR WYN THOMAS**

**Corporate Transformation and Governance Business Manager**

**16 SEPTEMBER 2014**

## **ANNUAL GOVERNANCE STATEMENT – 2013-14**

### **1 BACKGROUND**

This is the first Governance Statement for the Council elected on new wards in May 2013 at the end of a period of government intervention. It sets out the governance arrangements in place for the year focusing on those current significant governance issues in relation to the authority achieving its vision. It highlights changes made during the year and includes a brief evaluation where weaknesses or significant improvements are identified.

Aspects of the Council's governance arrangements had been strengthened and modernised in recent years across a number of governance themes, and these were then incorporated in the Transformation Plan for the authority which was adopted in January 2013 setting out the agenda for its work up to 2016. It was designed as a programme of change driven by the Council itself.

The Vision for the Council is that by 2016:

***“we will be a professional and well-run Council, innovative and outward-looking in our approach, committed to developing people and partnerships in order to deliver efficient and effective services of good quality, that are highly valued by our citizens.”***

We also emphasise that assurance and governance will be key to ensuring the delivery of corporate plan.

“In doing so, we will –

- provide an integrated performance management framework, linking the Corporate Plan to the Medium Term Financial Strategy down to the annual budget setting process and individual performance development reviews
- collect and use information to monitor our performance and take action to improve where required
- support the evolving strength of the Council's democratic decision making and scrutiny processes
- strengthen our engagement with and involvement of Anglesey citizens in the Council's decision making and accountability processes
- continue to strengthen our processes around finance and workforce reporting and monitoring
- put in place robust arrangements for dealing with our financial challenges, ensuring service transformation and innovative delivery is at the heart of what we do”

The six key themes supporting the vision are:

- **Professional and Well Run**
- **Innovative, Ambitious and Outward Looking**
- **Customer, Citizen and Community Focused**
- **Valuing and Developing our People**
- **Committed to Partnership**
- **Achieving**

The Governance Statement assesses the arrangements against the six principles of governance:

Focusing on the purpose of the authority and on outcomes for the community and creating a vision for the local area
Members and officers working together to achieve a common purpose with clearly defined functions and roles
Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour
Taking informed transparent decisions which are subject to effective scrutiny and managing risk
Developing the capacity and capability of Members and Officers to be effective
Engaging with local people and other stakeholders to ensure robust accountability

## 2 SCOPE OF RESPONSIBILITY

The Isle of Anglesey County 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 (Wales) Measure 2009 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 also 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 and adequate and effective financial management.

The Council has approved and adopted a local 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 local code is on our website at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance-/corporate-governance/>. This statement explains how the Council has complied with the code and it meets the requirements of non-statutory proper practice encouraging the publication of an Annual Governance Statement. It also meets the requirement of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

## 3 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, 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 and 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 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 and potential impact of those risks being 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 2014 and remains applicable up to the date of the approval of the Statement of Accounts. Where new arrangements have been introduced during the year this has been noted.

#### **4 THE GOVERNANCE FRAMEWORK**

The current framework as it relates to each of the six Corporate Governance principles is described in the schedules to the Local Code of Governance which is available at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance-/corporate-governance/>.

The following summary focuses on the areas of weakness and work on development and strengthening of the framework during the 2013-14 financial year.

**Principle One: Focusing on the purpose of the authority and on outcomes for the community and creating a vision for the local area**

**Key Theme: Customer, Citizen and Community Focused  
Committed to Partnership; Achieving**

The Council's Corporate Plan 2012-15 continued to guide the work of the Council until the Corporate Plan (2013-17) for the new Council was adopted in December 2013. Wales Audit Office (WAO) reported that the Plan describes the Council's priorities succinctly and clearly and explains how the priorities reflect the views of the public as well as those of the Council and other partners. The Transformation Plan, which was key to the governance improvements of 2013, continues to support the transformation of the Authority to achieve its Vision and priorities. Whilst the strategic aspects are embedded in the new Corporate Plan other aspects guide and help prioritise the work of the Authority's Transformation Boards.

The Single Integrated Strategic Plan developed under the oversight of the Local Services Board was in place by 1 April 2013 as required, superseding the Community Strategy and the strategies for Health, Social Care and Wellbeing; Children; and Community Safety. A Joint Local Services Board is now in place for Anglesey and Gwynedd and the Single Integrated Plans of both council areas are being merged to provide renewed focus on the main priorities for joint action.

An annual budget and high level Medium Term Revenue Budget Strategy was approved in March 2013 and updated in February 2014 following public consultation. Budget cuts continue to be applied across the Council's services. The budget process included discussion in the public domain on the adequacy of reserves; robustness of estimates and treasury management arrangements as required. Little progress was made during the year on the Medium Term Financial Strategy, which still needs to be developed. Work has also commenced on an Efficiency Strategy to identify and confirm the savings which are required to achieve a balanced budget. The continuing cuts to funding and increasing demand for services and for increased performance provide a significant challenge to focus on what is really important.

The Statement of Accounts were published with an unqualified audit opinion at the end of September 2013. The auditor's Annual Audit Letter highlighted an error in producing the draft accounts which had led to a material misstatement, subsequently corrected, and proposed improvements for the current year.

An Improvement Plan (Performance Review) report was approved by the County Council in October 2013. The Plan looked back to assess how we performed against the priorities and targets as set out in our 2012-13 Corporate Business Plan. This was assessed by WAO in its Improvement Assessment Letter as the Council having discharged its improvement reporting duties under the Measure and having acted in accordance with Welsh Government guidance. A Corporate Self-Assessment workshop was held in July 2014 and the results are being incorporated in a Self-Assessment statement.

Partnership governance arrangements are in place on a case by case basis but there is no overarching partnership framework in place. This has been identified as a weakness as partnering and commissioning becomes more of a priority for the Council and a programme of work is planned. However, governance and scrutiny arrangements are in place for the new Joint Local Services Board and the related Joint Partnership Unit. A transformation plan is being developed to ensure that these arrangements are effective and that the partnership is making a positive contribution to the objectives of the constituent organisations.

Progress is being made on the way service quality standards are set and measured, and the information needs are to be assessed and improved. Target setting was strengthened during the year although there is still room for improvement. Weaknesses in performance management and accountability had contributed to failings in both the Education and Children Services in recent years but it is now acknowledged that improvements in planning and accountability have improved the prospects for these key services. The good practices in these services will be extended to other areas of the Council.

A Performance Management Framework was in place throughout the year including quarterly score cards, half yearly challenges to Services and regular reports to the Executive and to Scrutiny. The framework continues to be developed to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During the autumn of 2013, a series of Service Reviews was undertaken which covered budgets and performance and which informed the budget process.

Financial Management arrangements were in place throughout the year, although there were recognised weaknesses in the old financial ledger and related systems which were used to close the 2012-13 accounts. The implementation of a new financial system which went live in April 2013 was intended to resolve these weaknesses but the implementation of the system led to delays and inaccuracies in the making and recording of some transactions. The effect was that there were gaps in financial controls and some non-compliance with system controls. Additional resource has been brought in to address the issues identified, the situation is being kept under review and an Action Plan is in place to resolve any outstanding issues.

The planned work on developing a commissioning strategy and updating procurement policies and procedures has been delayed. There are weaknesses of compliance and Value for Money relating to Procurement and a critical consultant's report was received during the year. An Improvement Programme for Procurement is underway.

Internal Audit review and report on processes that support the achieving of the Council's objectives and their annual report is an important part of the review of effectiveness described at Section 5 of this Statement.

Managing grant claims has been a weakness over a number of years and there was a large percentage of qualified claims for 2013. This area continues to be monitored by the Audit Committee. There is an action plan in place and new procedures are due to be issued.

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

**Key Theme: Professional and Well Run**

The Council has adopted an Executive system with a Leader elected by the Council and an Executive of up to six members appointed by the Leader. The Executive makes decisions on key strategic issues and is responsible for implementing the agreed policies of the Council. Each Executive Member has a portfolio for a particular council function. Two scrutiny committees hold the Executive to account, these are made up of councillors not on the Executive. There are also regulatory committees including Planning, Licensing, Appeals and Audit, together with a number of other committees set up for specific purposes.

Arrangements for committees and a scheme of delegation to officers and members are included in the Council's constitution. Significant changes have been made to the committee structure and to the scrutiny function over recent years, especially so in the run-up to the May 2013 elections to cater for the reduction in the number of members from forty to thirty and for multi member wards.

There is a new Relationship Protocol for Members and Officers and during 2013 a programme of work supported by the Welsh Local Government Association (WLGA) was implemented to help develop the Executive and the way members and senior officers work together; this includes the key roles of Leader and Chief Executive, and the Shadow Executive.

The Council's new senior management structure was completed during 2012. A review of the next tier of Head of Service was undertaken in 2013-14 and this led to a reduction of six posts at this level. The exercise was substantially complete in December 2013.

The approved senior management structure includes a Chief Executive who is the designated Head of Paid Service; a Deputy Chief Executive who is responsible for leading the internal functions of the Council and for ensuring good corporate governance; and three Directors who lead the agenda for their group of services, taking responsibility for the policy, planning and performance of those functions. These five officers form the Authority's Senior Leadership Team (SLT).

Heads of Function for Resources and for Council Business are respectively the authority's designated Chief Financial Officer (CFO) and Monitoring Officer. They both report to the Deputy Chief Executive who is responsible for the management of their performance and for coordinating their governance roles within the wider corporate governance and performance and change management framework.

The approved management model is that the SLT leads on developing the vision and strategic direction of the Council and is held to account in that role; and that the extended management team has an implementation role. The CFO and Monitoring Officer attend SLT meetings as required and are key members of the Heads of Service management team. They have ready access to the Chief Executive and the SLT and its individual members. The Executive has requested that the Chief Executive reviews the functions and composition of SLT.

It is a requirement that local authorities assess their arrangements on an annual basis against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and report on compliance or explain any alternative arrangements. Since January 2013, the approved management model has been in place which is a different model to that envisaged

by CIPFA but which is intended to have an equivalent impact to that envisaged by the CIPFA Statement. The effectiveness of the protocol for committee papers has been reviewed, and was amended and implemented in February 2014. The effectiveness of these arrangements is being reviewed by management in Autumn 2014.

The Council implemented the Public Service Internal Audit Standards in April 2013. There is also an expectation that local authorities are compliant with the CIPFA Statement on The Role of the Head of Internal Audit in Public Service Organisations: the Council's arrangements are consistent with the principles set out in the statement. A review of effectiveness of Internal Audit will be conducted.

Some corporate services were strengthened as part of the response to the Corporate Governance Inspection in 2009. During the year, as a result of the budget cuts, and difficulties in recruitment, a number of corporate services are now looking at ways of managing client demand to front line functions and is currently the subject of review by the Deputy Chief Executive.

Allowances are paid to members in accordance with a local scheme based on the decisions of the Independent Remuneration Panel for Wales. The Panel published specific reports for this Council in respect of the year. Decisions on discretionary matters are taken by the Full Council and both the schemes, and the payments made to members under the scheme, are published on the Council's website.

A Pay Policy Statement has been adopted as required and this was reviewed and updated in March 2013 and 2014.

**Principle Three: Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour**

**Key Theme: Professional and Well Run**

The Corporate Plan for 2012-15 set out the Council's values and these became embedded in the Vision of the Transformation Plan and the Transformation Culture. The Six Key Themes underpin the corporate way of working and the importance of good governance is emphasised in the new Corporate Plan.

The Local Code of Corporate Governance was updated in September 2013.

There are a number of codes of conduct and protocols in place as part of the Constitution to ensure high standards of conduct and behaviour. There is a Policy for the Prevention of Fraud and Corruption in the Constitution with subsidiary plans in place.

An active and effective Standards Committee is in place and it reported on its work in an annual report at the end of the year. There has been a history of complaints against council members, often by other members. The number of these complaints has reduced very significantly with no complaints upheld during the year, and the Chair of the Standards Committee refers to a huge improvement in standards within the council which has naturally lead to a reduction in conduct issues and complaints being raised.



**Principle Four: Taking informed transparent decisions which are subject to effective scrutiny and managing risk**

**Key Theme: Innovative, Ambitious and Outward Looking**

The arrangements for delegation of Executive decisions to individual Members are becoming better understood across the Authority and guidance was reissued in August 2013 and its effectiveness will be reviewed by management in the Autumn.

In 2012, the Council introduced new systems to ensure easy access to the Council's agendas, papers and minutes and from May 2013 members and the public have had the full benefit of access to committee papers and supporting information. Members have direct access to this electronic system during meetings.

The role of Scrutiny was strengthened as part of the Commissioners' programme of work and an Annual Report was published in May setting out the work done by the Committees during the year. Scrutiny was also the subject of a national WAO Improvement Study in early 2013 and the Council conducted a self-evaluation as part of the study. The results of the self-evaluation show a perception that scrutiny is not yet positively supporting the Council and its Services. The results of the self-evaluation will be considered in the context of changes made since May 2013 and the national report and guidance and an improvement plan is being put in place. From June 2013 the number of scrutiny committees has been reduced from five to two and the effectiveness of this change is being reviewed. The Deputy Chief Executive is working with Scrutiny to bring in a more corporate way of working, with a view to Scrutiny effectively adding value to service performance and to the Council achieving its objectives. A Working Group has been established to review the terms of reference of the Scrutiny Committees.

Risk Management arrangements have been developing over the last two years and the policies and guidance were reaffirmed and formally adopted in 2012. Arrangements continue to be embedded in services and corporately but progress is slow. Additional resources have been identified to support progress.

The management of change had been weak within the authority and project management not embedded. During the year, significant steps have been taken to develop a new programme and project management framework and to provide capacity to support the Transformation Plan. The effectiveness of the framework is being reviewed.

An effective Audit Committee is in place. The committee conducted a self-assessment during the year and reported on its work at the end of the year.

There are transparent and accessible arrangements for dealing with complaints and a new Concerns and Complaints Policy came into force in April 2013 based on the Model Policy developed with the Public Services Ombudsman for Wales. Internal Audit has undertaken sample testing of compliance and a report has been produced. Areas of service non-compliance were addressed corporately through an agreed Action Plan. The number of complaints to the Ombudsman were again relatively low and none were investigated.

The Council has recently updated and re-launched its Policy on Whistleblowing to comply with the new statutory legal test. The Policy has been given more prominence on the Council's website. However, it is acknowledged that there are deficiencies, namely a documented procedure is required, there is a need to increase awareness/training and to develop a centralised corporate database to capture the information and ensure that it is analysed and

appropriately reported. It is proposed that there will shortly be training for middle managers through the Middle Managers Conference and that dealing with whistleblowing complaints will form part of the investigation skills training which is currently being arranged.

**Principle Five: Developing the capacity and capability of Members and Officers to be effective**

**KeyTheme: Valuing and Developing our People**

During the year, the Council achieved the Welsh Charter for Member Support and Development which has been developed by the WLGA and authorities to provide a guide, some impetus and recognition for authorities wishing to provide high standards of support for their members. Member job descriptions have been in place since 2012. Most members have completed personal development reviews. The Member Development Plan takes account of these reviews. An induction programme for new members was undertaken in June 2013 onwards. The Democratic Services Committee oversees these areas and its Chair serves as Member Development Champion. Job descriptions/person specifications and personal development reviews for elected Members have now been extended to include the seven coopted members of the Standards Committee. The job descriptions of the Executive members have been revised recently to take account of evolving issues. From 2014, members also prepare individual annual reports which are published on the Council website.

A Democratic Renewal Strategy was completed in preparation for the elections held in May 2013. This strategy contributed to increased participation and increased voter turnout. There are still concerns about lack of diversity of candidates and membership.

We have a People Strategy and Strategies for Workforce Development, Talent and Succession Planning and the Council has Investors in People accreditation. There was an induction programme in place for staff and managers throughout the year.

It had been planned that the Corporate Personal Development Review be further embedded and developed in the year. The scheme covers all staff including senior managers. As it turned out, the compliance rate was lower than in previous years, partly due to management changes. A target of 70% has been set to ensure a higher rate during 2014-15. Arrangements are being made to target training and development on a more consistent and focused basis, linked to appraisal, as budgets are reduced.

As a consequence of the priority afforded to completing the corporate Job Evaluation project, there has been less progress on developing the strategic HR plans. These strategies will be updated to incorporate the needs of the Transformation Plan and outcomes of the staff survey.

There is a lively Middle Managers forum and the Ignite Club provides inspirational learning sessions which are open to all staff. As part of the activity on the Transformation Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

**Principle Six: Engaging with local people and other stakeholders to ensure robust accountability**

**Key Theme: Customer, Citizen and Community Focused**

The Community Engagement Strategy produced in 2011 was still in place during the year and was supported by Good Practice Consultation and Engagement Guidelines for staff. This strategy is now dated and is to be replaced by a Customer Care Charter and by the Corporate Communication Strategy. Effective public consultation was achieved as part of the corporate planning and budget setting processes as well as in developing strategies for future delivery of key services. As a result of public engagement activity over the last few years, there is a pool of citizens who have volunteered to assist the Council as consultees in the future. The Council is working closely with Menter Mon via the Local Voices project to optimise consultation opportunities.

Arrangements for engagement with groups of stakeholders are in place and include a Community Council Charter and a Voluntary Sector Compact.

The Council conducted a surveys of its residents in 2012 but is now using the results of the National Survey for Wales to obtain feedback on a comparable basis annually across Welsh authorities. The 2014 survey shows that 59% of Anglesey respondents agree that the Council provides high quality services. This rate is higher than the average for Wales and is a significant improvement on last year (48%). The Survey also showed that slightly more respondents agree than disagree that the Council is good at letting people know how it is performing – also better than average and a significant increase on last year.

Arrangements are in place to engage with Welsh Government, External Audit and other regulators and WLGA. These have been strengthened during the recent periods of intervention and need to be sustained as part of the continuing governance arrangements.

A Communication Strategy is in place for the year. The strategy has four strands: Citizen and Community Engagement; Media; the Council Brand; and Internal Communication. Internal Communication is a key area for development in the Transformation Plan.

Annual reports on their work were published by Scrutiny as well as the Standards and Audit Committees. From June 2014, individual members also publish annual reports.

The Council's first staff survey for some years attracted a response rate of 32% and results were encouraging. Of those staff who responded, most (71%) are proud to work for the Council and 75% are satisfied with the Council as an employer. 89% of staff enjoy their work most of the time and 85% are satisfied with their job.. The survey has highlighted that work needs to be done at all levels to make staff feel valued, to communicate and consult better on major issues affecting staff and to inform them about decisions taken which affect Anglesey as a whole.

There are longstanding arrangements for engaging with employees: with Trade Unions through the Local Joint Consultative Committee and less formal meetings, and communication with staff generally through e.g. monthly staff bulletins. Managers and staff are being consulted and involved in decision making as part of the Transformation Programme.

## 5 REVIEW OF EFFECTIVENESS

The Isle of Anglesey County 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 managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework has been evaluated by a combination of:

- the results of the regular in-year review and monitoring by officers and committees;
- a review of relevant documents prepared during the year or relating to the year;
- the review of progress against the Transformation Plan;
- a review of the six themes which underpin the authority's values
- reviews of feedback from Estyn and CSSIW and the related recovery boards on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and members including the SLT and the Executive.

Regular in-year review and monitoring includes:

- formal risk management activity, including specific consideration of those risks linked to governance processes;
- Internal Audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes; including risk management, in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that senior officers implement agreed recommendations;
- the annual assessment of Internal Audit by the Council's external auditors;
- the work of the Council's Scrutiny and other Committees, including its Audit and Standards committees;
- the opinions and recommendations of the Council's external auditors and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers.

Key policies, and any amendments to them, are approved by the Executive and where appropriate, formally adopted by the County Council.

In July, a Corporate Self-Assessment workshop was conducted by Senior Members and Officers, based on the evidence collected for this Governance Statement and the Annual Performance Report and other information. The results of the self-assessment will be consulted on and made available to staff and stakeholders. It has also informed this Statement and the related Action Plans.

The Audit Committee was asked for views on the effectiveness and completeness of the assurance and governance framework and comments on a draft version of this AGS before final draft was taken back to the Committee for approval.

## 6 SIGNIFICANT GOVERNANCE ISSUES

Good progress was made across a number of governance themes during the year leading to an Annual Improvement Report (AIR) from Wales Audit Office concluding “that the Council is likely to make arrangements to secure continuous improvement for 2014-15. [they] found that:

- “the Council made steady progress in delivering improvements in most of its priority areas for 2012-13 but further improvements are required in some key services.”;
- “more thorough and consistent procedures and developing governance arrangements have strengthened the Council’s ability to evaluate and improve services.”; and
- “if delivered effectively, the Council’s plans for improvement and its arrangements to support improvement should help it to meet the financial and other challenges that lie ahead..”

They also made a proposal that “To make progress and achieve the objectives of the Transformational Plan, the Council should:

- secure sufficient capacity, capability and stability in its corporate finance service; and
- identify and improve weaknesses in the management of the financial ledger system.”

The report of the Head of Internal Audit gives assurance on the framework for internal control. It identifies one review carried out during the year which received a “red” assurance opinion. This review related to Creditor Payments made through the new CIVICA system which went live at the beginning of the year, and identified some control gaps and some non-compliance with system controls. Reports on another two financial systems based on CIVICA (debtors and ledger) were given a red/amber assurance for similar reasons. The report of the Head of Internal Audit also identifies five areas where significant weaknesses in control would prevent the Council placing reasonable reliance on the systems of internal control in respect of those systems reviewed during the year. These areas were:

- Business Continuity;
- Risk Management;
- Governance: compliance with key corporate policies and procedures;
- Information Management; and
- System Implementations, especially with regard to replacement of key financial systems.

Good progress was made on a number of the actions identified in the 2012-13 Annual Governance Statement as Significant Issues:

- We established Transformation Programme Boards; a Corporate Programme Management Office and related governance arrangements;
- Progress has been made in the management of data security and information assets, but there is still more to do;

but progress was slower on planning for and delivering the savings required of the Council although progress is being made now.

Progress is also slower on some of the other areas in the Governance and Assurance Action Plan:

- Risk Management,
- Business Continuity;
- Compliance with key corporate policies;
- Information Systems.

These items are reflected in the report of the Head of Internal Audit; in the Self-assessment; or in the AIR and are included in the governance action plan for 2014-15.

Based on the review outlined above, and in particular, the annual report of the Head of Internal Audit; the corporate self-assessment, and the Annual Improvement Report by the

Wales Audit Office, the following issues have been identified as the current significant governance issues in relation to the authority achieving its vision:

<b>Significant Governance Issues</b>	
<b>Issue</b>	<b>Actions Identified</b>
<i>The need to plan for and deliver the savings required of the Council</i>	<p><i>Develop a Medium Term Budget Strategy based on existing plans and projections</i></p> <p><i>Establish the Efficiency Strategy as part of the Council's core strategic plans</i></p> <p><i>Introduce Commissioning and Procurement Policy and Strategy</i></p>
<i>Taking appropriate technical and organisational measures against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data</i>	<p><i>Complete the agreed action plan</i></p> <p><i>Work with ICO on the planned re-inspection and our response to their report</i></p>
<p><i>Corporate Services Capacity</i></p> <p><i>To include Finance, ICT, Legal, HR and Scrutiny</i></p>	<p><i>Review current and future arrangements</i></p> <p><i>Services are drafting the corporate service "offer" for discussion in order to ensure resourcing of corporate and service priorities.</i></p>
<i>Financial Systems, especially the ledger system</i>	<i>Action Plan being implemented following a post implementation review</i>
<i>Risk Management</i>	<i>Programme of work due in the Autumn</i>
<i>Procurement</i>	<i>Procurement Improvement Programme being put in place</i>
<i>Compliance with Key Corporate Policies</i>	<p><i>Identify relevant policies</i></p> <p><i>Agree corporate format for relevant policies</i></p> <p><i>Specify automated system for policy and procedure management</i></p>

A detailed action plan is available on the Council's website.

## 7 CERTIFYING THE ANNUAL GOVERNANCE STATEMENT

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined in the document.

We propose to take appropriate steps to address these and the other weaknesses identified in the Annual Governance Statement and to further enhance our governance and assurance arrangements in the forthcoming year. We will monitor the implementation and operation of improvements through the Audit Committee and as part of our next annual review.

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**Leader of the Council**

**Date:**

**On behalf of the Isle of Anglesey County Council**

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**Chief Executive**

**Date:**