

# Fact sheet



## Governance Statements

Governance Statements were introduced in 2012-13 for central government bodies in Northern Ireland. This fact sheet details findings from a review of Governance Statements by the Northern Ireland Audit Office and makes recommendations to further enhance the Governance Statements produced in the future.

The Department of Finance and Personnel issued guidance (DAO(DFP) 10/12) requiring central government bodies to prepare a Governance Statement for financial years 2012-13 onwards. The guidance included Annex 3.1 from Managing Public Money NI (MPMNI) which gave more details of the expected content of Governance Statements. However the guidance did not include a template, as the emphasis, in preparing the Governance Statements, was to reflect organisations specific circumstances in respect of governance, risk management and internal control arrangements and how they operate in practice. In 2013, we considered over 140 Governance Statements as part of our audits of the accounts of departments, agencies and arms length bodies. Our auditors gave advice on the Governance Statements during the audits to assist our audited bodies in adhering to the principles within the guidance.

In producing this fact sheet we focussed our review on all of the Governance Statements produced by central government departments and a number of other bodies. Our review considered how the bodies had met the essential features required by MPMNI (Box 1 refers) as well as examining the process followed in preparing the Governance Statements and also whether the overall aim of the Governance Statement had been achieved.

## Best Practice Observed

1. Audited bodies had invested a substantial amount of time preparing for the introduction of the Governance Statements.
2. Audit Committees were involved at an early stage allowing time for review and challenge.
3. The majority of essential features (Box 1) had been included within Governance Statements.
4. Tailored disclosures, ensuring the Governance Statement is specific to the individual circumstances of the Department.
5. The use of diagrams and tables clearly and concisely illustrating the governance framework and attendance records.
6. Good forward planning to ensure evidence to support essential requirements, for example, the assessment of the performance of the Board.
7. The inclusion of significant control issues within arms length bodies by departments, where applicable.

## Key Recommendations

1. Governance Statements should be more concise and less repetitive.
2. The focus should be less on the risk management process and more on assessment of risk specific to the organisation and particularly highlight where risks materialised and the actions taken.
3. New risks identified during the financial year should be disclosed and how they were treated.
4. Provide sufficient detail regarding how the Board assessed its performance, what the outcome of the assessment was, and what recommendations for improvement / change were made as a consequence of the assessment.
5. Explicitly comment on the effectiveness of the Board.
6. Compliance with the Corporate Governance Code should include an evaluation of the degree of compliance and any explanations for departures, if applicable.
7. Disclose how the Board knows the quality of the data is acceptable.
8. The Statement should make specific reference to whether there were any significant lapses of security.

## Looking Forward

2013-14 sees the introduction of the **Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013** (the Code) which retains the requirement for departments to disclose, within the Governance Statement, whether they comply with the Code or to explain any departures from it. Although the Code was written for departments, agencies and other arms length bodies are encouraged to consider and adopt the practices set out within it.

Organisations should note that the Code requires one additional disclosure within the Governance Statement. This requires the Board to publish, within the Governance Statement, how any identified conflicts of interest and potential conflicts, of Board members have been managed.

Central government bodies have made significant progress in producing Governance Statements in 2012-13. Going forward there are opportunities to build on that progress and to further enhance the Governance Statements for their organisations. NIAO will continue to assist in that process providing advice and guidance where required.

### Box 1

#### Essential features of the governance statement

1. the governance framework of the organisation, including information about the board's committee structure, its attendance records, and the coverage of its work;
2. the board's performance, including its assessment of its own effectiveness;
3. highlights of board committee reports, notably by the audit committee;
4. an account of corporate governance, including the board's assessment of its compliance with the *Corporate Governance Code*, with explanations of any departures;
5. information about the quality of the data used by the board, and why the board finds it acceptable;
6. a record of any ministerial directions given, subject to a public interest test;
7. a risk assessment, including the organisation's risk profile, and how it is managed, including, subject to a public interest test:
  - o any newly identified risk
  - o a summary of any significant lapses of protective security (eg data losses).

### Other Useful Guidance

Managing Public Money NI (DFP), Annex 3, A.3.1. *The Governance Statement*:  
[http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-mpmni/a.3.1\\_governance\\_statement.pdf](http://www.dfpni.gov.uk/index/finance/afmd/afmd-key-guidance/afmd-mpmni/a.3.1_governance_statement.pdf)

Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013:  
[http://www.dfpni.gov.uk/index/finance/daodfp0613\\_att.pdf](http://www.dfpni.gov.uk/index/finance/daodfp0613_att.pdf)

Fact Sheet: Governance Statements  
[www.nao.org.uk/governance-statements](http://www.nao.org.uk/governance-statements)

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