FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date   **21 September 2015**

Report of: **Director of Finance and Resources**

Subject: **ANNUAL GOVERNANCE STATEMENT 2014/15**

SUMMARY

This report brings the 2014/15 Annual Governance Statement for member approval before publishing with the Statement of Accounts.

RECOMMENDATION

That the Annual Governance Statement for 2014/15, as attached as Appendix C, be approved, or any changes required be identified.

INTRODUCTION

1.   The Accounts and Audit Regulations 2011 require the Council to publish a statement on its systems of internal control as follows:

      "The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

      The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control. The findings of the review must be considered by the members of the body meeting as a whole or by a committee, and following the review the body or committee must approve an annual governance statement prepared in accordance with proper practices in relation to internal control.

      The relevant body must ensure that the statement accompanies any statement of accounts it is obliged to prepare".

2.   The "proper practices" for this obligation are regarded to be the CIPFA/SOLACE governance framework first published in 2007 plus the December 2012 addendum.

3.   This report therefore informs members of the processes that have been used to prepare the Annual Governance Statement for 2014/15 as attached as Appendix C, and seeks approval for this to accompany the Statement of Accounts for 2014/15 due to be published in October 2015.

RESPONSIBILITIES OF THIS COMMITTEE

4.   The annual review of the effectiveness of the Council's governance framework and systems of control has now been completed by the officers on the "Chief Executive's Assurance Group", who have also compiled the action plan for completion. These findings have been fed into the text of the Annual Governance Statement.

5.   Member involvement in the process is important to establish corporate ownership of the governance framework. The specific role of members in the process is to:-

      (a)   confirm that a robust approach has been taken to review the Council's governance framework and systems of internal control;

      (b)   confirm that the sources of evidence are appropriate and support the Annual Governance Statement; and

      (c)   approve the content of the Statement and action plan or make suggestions for improvement.

6.   The final version of the Statement, taking on board members' comments, will then be submitted for endorsement by the Chief Executive Officer and the Leader of the Council before being published.

GOVERNANCE FRAMEWORK

7.   The Governance Framework "*comprises the systems and processes and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor achievement of the strategic objectives and to consider whether those objectives have*

led to the delivery of appropriate, cost effective services". The system of internal control "is a significant part of the framework and is designed to manage risk to a reasonable level".

8. The Council has defined its Governance Framework as consisting of 23 elements as listed in Appendix A.

SOURCES OF EVIDENCE

9. Each of the elements of the framework were reviewed and discussed by the Chief Executive Assurance Group which consists of the Chief Executive, all the directors and the Head of Audit and Assurance. The following additional evidence was also reviewed to support the discussions:

- Outcomes of Audit work in 2014/15.
- Summary of external assurances received in the year (as listed in Appendix B).
- Review of progress made on the actions included in the previous Annual Governance Statement.

ANNUAL GOVERNANCE STATEMENT

10. The Annual Governance Statement, as attached as Appendix C, has been drafted in accordance with the CIPFA proper practices guidance and many of the sections are standard text. Further work has been undertaken this year to improve the presentation of the document and how easy it is to read.

The lists of improvements already delivered or identified during this review are highlighted on pages 18 and 19 of the statement. It should be noted that these do not necessarily signify a significant control weakness in the Council's framework but tend more to reflect ideas for improvements to existing processes.

RISK ASSESSMENT

11. The Annual Governance Statement is a statutory requirement and will be published on the Council's internet site with the Statement of Accounts. It is audited by the Council's external auditor.

CONCLUSION

12. This organisation has defined an appropriate Governance Framework on which to base its Annual Governance Statement. The sources of assurance have been subject to a review to allow the Annual Governance Statement to be drawn up for 2014/15.

Background Papers: None

Reference Papers:

CIPFA Financial Advisory Network - The Annual Governance Statement - meeting the requirements of the Accounts and audit Regulations 2003, incorporating Accounts and Audit (Amendment) (England) Regulations 2006 - Rough Guide for Practitioners with effect from 2007/08 - Final Version Published April 2008.

CIPFA/ SOLACE - Delivering Good Governance in Local Government - Framework and Guidance 2007 and Addendum 2012

Appendices:

Appendix A – Components of the Fareham BC Governance Framework.

Appendix B – List of external assurances reviewed

Appendix C – Draft Annual Governance Statement 2014/15 (attachment).

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

Components of the Fareham BC Governance Framework

New Ref		Element	
1		**Vision and Outcomes** Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.	
2		**Vision and Governance** Reviewing the authority's vision and its implications for the authority's governance arrangements.	
3		**Vision and Objectives** Translating the vision into objectives for the authority and its partnerships.	
4		**Quality and Value for Money** Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring they represent the best use of resources and value for money.	
5		**Constitution** 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 in respect of the authority and partnership arrangements.	
6		**Codes of Conduct** Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.	
7		**Decision Making** Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.	
8		**Risk Management** Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.	
9		**Counter Fraud** Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.	
10		**Change Management** Ensuring effective management of change and transformation.	
11		**Financial Management** 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, where they do	

New Ref		Element
		not, explain why and how they deliver the same impact.
12		**Internal Audit** Ensuring the authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.
13		**Monitoring Officer** Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.
14		**Head of Paid Service** Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.
15		**Audit Committee** Undertaking the core functions of an Audit Committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities.*
16		**Laws and Policies** Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.
17		**Whistleblowing** Whistleblowing and receiving and investigating complaints from the public.
18		**Training and Development** Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
19		**Communication** Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
20		**Other Service Providers** Enhancing the accountability for service delivery and effectiveness of other public service providers.
21		**Partnerships and Governance** Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.
22		**Emergency Planning** Ensuring we can respond effectively to an emergency within the borough.

New Ref		Element
23		**Business Continuity Management** Reviewing what disruptions the Council might face to its service delivery and planning to minimise the impacts should they happen**.**

Sources of External Assurance Reviewed this Year

Type	Report
External Audit	Annual Audit Letter 2013/14 (October 2014)
	Audit Results Report 2013/14 (September 2014)
	Annual Certification Report 2013/14 (February 2015)
Government Department or Agency	Local Government Ombudsmen Report 2013/14 (July 2014) and cases referred during 2014/15
	Food Standards Agency Update Letter (February 2015)
	Public Service Network Compliance (2014/15)
	Driver and Vehicle Licensing Agency (DVLA) - Use of Web Enabled Enquiry (WEE) System (July 2014)

Driver and Vehicle Licensing Agency (DVLA) - Use of Batch Enquiries (July 2014, December 2014, May 2015)

Driver and Vehicle Licensing Agency (DVLA) – Data Sharing Check (May 2015) |
| | Officer of the Surveillance Commissioners (January 2015) |
| **Insurers** | Zurich Corporate Inspection Regimes Review (September 2014)

Risk Management Standards Assessment – Housing Property and Public Liability (April 2014) |
| **Other** | Hampshire Safeguarding Children Board (HSCB] 2014 S11 Audit Self-Assessment Tool (June 2014) and Safeguarding Disabled Children Audit Report (May 2014) and HCSB Evaluation Letter (November 2014)

Partnership Coverage by other Audit Teams (PUSH 2013/14)

External and Internal Penetration Health checks performed by a specialist company on our IT systems. |