

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date 17 July 2017

Report of: Head of Finance and Audit

Subject: ANNUAL GOVERNANCE STATEMENT 2016/17

SUMMARY

This report brings the 2016/17 Annual Governance Statement for member approval before publishing with the Statement of Accounts.

RECOMMENDATION

It is recommended that the Committee:

- 1) approve the Annual Governance Statement for 2016/17, as attached in [Appendix C](#) of the report; and
- 2) approve any identified changes required.

INTRODUCTION

1. The Accounts and Audit Regulations 2015 require the Council to publish a statement on its systems of internal control as follows:

‘The relevant authority must ensure that it has a sound system of internal control which –

a) facilitates the effective exercise of that body’s functions and the achievement of its aims and objectives:

b) ensures that the financial and operational management of the authority is effective; and

c) includes effective arrangements for the management of risk.’

The relevant authority must, each financial year - conduct a review of the effectiveness of the system of internal control... and prepare an annual governance statement. ... it must consider the findings of the review... by a committee or by members of the authority meeting as a whole; and approve the annual governance statement prepared...by resolution of a committee or by members of the authority meeting as a whole.

The annual governance statement ... must be approved in advance of the relevant authority approving the statement of accounts...and be prepared in accordance with proper practices...’

2. The ‘proper practices’ for this obligation are regarded to be the CIPFA/SOLACE publication ‘Delivering Good Governance in Local Government, which was revised in April 2016.
3. This report therefore informs members of the processes that have been used to prepare the Annual Governance Statement for 2016/17 as attached as [Appendix C](#), and seeks approval for this to accompany the audited Statement of Accounts for 2016/17 due to be published at the end of September 2017.

CHANGES TO THE PROCESS IN THE 2016 PROCESS

4. 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*’.
5. The Council has defined its Governance Framework as consisting of 23 components as listed in [Appendix A](#). This list has been updated to ensure it is consistent with the latest guidance given in the ‘proper practices’, published in April 2016. In particular there have been a few changes to the areas of the Governance Framework to be covered as summarised in the table below:

Removed	Added
Vision and Governance	Scrutiny
Change Management	Openness
Other service providers	External Audit
Complaints	Conflicts of Interest

6. Other changes noted in the latest guidance are:
- we need to make reference to the latest **Local Code of Corporate Governance** adopted by the Council in November 2016 which complies with the latest 'proper practices';
 - most of the **standard text** in the Annual Governance Statement has been removed and the Council now has more freedom on what it includes in the Statement about the Governance Framework, with an expectation that there is a greater focus on improvements made in the year;
 - we are now required to make reference to how **issues raised** in the last Annual Governance Statement have been resolved.

RESPONSIBILITIES OF THIS COMMITTEE

7. 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.
8. 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.
9. 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.

SOURCES OF EVIDENCE

10. 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 Finance and Audit. The following additional evidence was also reviewed to support the discussions:
- Outcomes of Audit work in 2016/17.
 - 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

11. The Annual Governance Statement, as attached as [Appendix C](#), has been drafted in accordance with the CIPFA proper practices guidance. The lists of improvements identified during this review are highlighted on pages 21 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

12. 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 auditors.

CONCLUSION

13. 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 2016/17.

Appendices:

[Appendix A](#) – Components of the Fareham BC Governance Framework.

[Appendix B](#) – Sources of External Assurance Reviewed this year

Appendix C – Draft Annual Governance Statement 2016/17 ([attachment](#)).

Background Papers: None











Reference Papers:












CIPFA/ SOLACE - Delivering Good Governance in Local Government - Framework and Guidance 2016



Enquiries:

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

Components of the Fareham BC Governance Framework

Element		
1		<p>Vision and Outcomes</p> <p>Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</p>
2		<p>Vision and Actions</p> <p>Translating the vision into courses of action for the authority, its partnerships and collaborations.</p>
3		<p>Service Quality and Value for Money</p> <p>Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</p>
4		<p>Constitution</p> <p>Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.</p>
5		<p>Codes of Conduct</p> <p>Developing codes of conduct which define standards of behaviour for members and staff and that these codes and policies are communicated effectively.</p>
6		<p>Decision Making</p> <p>Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers, and robustness of data quality.</p>
7		<p>Scrutiny (NEW)</p> <p>Ensuring an effective scrutiny function is in place.</p>
8		<p>Risk Management</p> <p>Reviewing the effectiveness of the framework for identifying and managing risks and for performance demonstrating clear accountability.</p>
9		<p>Counter Fraud</p> <p>Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</p>
10		<p>Financial Management</p> <p>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 (2015) and, where they do not, explain why and how they deliver the same impact.</p>

Element		
11		<p>Internal Audit</p> <p>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.</p>
12		<p>External Audit (NEW)</p> <p>Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.</p>
13		<p>Monitoring Officer</p> <p>Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.</p>
14		<p>Head of Paid Service</p> <p>Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.</p>
15		<p>Audit Committee</p> <p>Undertaking the core functions of an Audit Committee, as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities (2013)</i>.</p>
16		<p>Laws and Policies</p> <p>Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.</p>
17		<p>Whistleblowing and Conflicts of Interest</p> <p>Developing policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively</p>
18		<p>Training and Development</p> <p>Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.</p>
19		<p>Communication</p> <p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</p>
20		<p>Openness (NEW)</p> <p>Documenting a commitment to openness and acting in the public interest</p>
21		<p>Partnerships and Governance</p> <p>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.</p>

Element		
22		<p>Emergency Planning</p> <p>Ensuring we can respond effectively to an emergency within the borough.</p>
23		<p>Business Continuity Management</p> <p>Reviewing what disruptions the Council might face to its service delivery and planning to minimise the impacts should they happen.</p>

Sources of External Assurance Reviewed this Year

Type	Report
External Audit	Annual Audit Letter 2015/16 (October 2016)
	Audit Results Report 2015/16 (September 2016)
	Annual Certification Report 2015/16 (November 2016)
Government Department or Agency	Local Government Ombudsmen Report 2015/16 (June 2016) and cases investigated during 2016/17
	Public Service Network Compliance (2016/17)
	Driver and Vehicle Licensing Agency (DVLA) data assurance audit of our use of Web Enabled Enquiry Facilities (December 2016)
	Driver and Vehicle Standards Agency (DVSA) Vehicle Operators Compliance Risk Score (April 2017) and Vehicle Test History (April 2017)
Insurers	Allianz Insurance property risk improvement surveys of the Motor Fleet, Ferneham Hall and 3 investment properties (May 2016 – January 2017)
Other	<p>Hampshire Safeguarding Children Board (HSCB) S11 Audit Self-Assessment Tool (June 2016) and HCSB Evaluation Letter (August 2016)</p> <p>Partnership Coverage by other Audit Teams (PUSH, Project Integra, Eastern Solent Coastal Partnership)</p> <p>Hampshire County Council Property Services Annual Review of the Building Control Partnership (March 2016)</p> <p>External and Internal Penetration Health checks performed by a specialist company on our IT systems.</p>