

# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date:** 23 July 2018

**Report of:** Head of Finance and Audit

**Subject:** ANNUAL GOVERNANCE STATEMENT 2017/18

#### **SUMMARY**

This report brings the 2017/18 Annual Governance Statement for member approval before publishing with the Statement of Accounts.

#### **RECOMMENDATION**

It is recommended that the Committee:

- a) approve the Annual Governance Statement for 2017/18, as attached in Appendix C of the report; and
- b) identify any 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 last revised in April 2016.
3. This report therefore informs members of the processes that have been used to prepare the Annual Governance Statement for 2017/18 as attached as Appendix C, and seeks approval for this to accompany the audited Statement of Accounts for 2017/18 due to be published at the end of July 2018.

## CHANGES TO THE 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](#) which is consistent with the 2016 guidance.
6. The Chartered Institute of Public Finance and Accountancy (CIPFA) published a document in January 2018 reviewing how well Councils complied with the 2016 guidance. This publication was reviewed to identify if there were any areas for strengthening in our process. Two actions were taken as a consequence:
  - a) Making the AGS easier to find on our website
  - b) Introducing table formats for the new action plan and the progress on previous actions.

## **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 2017/18.
  - 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 22-23 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 2017/18.

**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 2017/18 ([attachment](#)).

**Background Papers:** None

**Reference Papers:**

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

CIPFA - Review of Annual Governance Statements 2016/17 - January 2018

**Enquiries:**

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

Components of the Fareham BC Governance Framework

1		<p><b>Openness</b> Documenting a commitment to openness and acting in the public interest</p>
2		<p><b>Communication</b> Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</p>
3		<p><b>Vision and Outcomes</b> Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</p>
4		<p><b>Vision and Actions</b> Translating the vision into courses of action for the authority, its partnerships and collaborations.</p>
5		<p><b>Service Quality and Value for Money</b> 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>
6		<p><b>Constitution</b> 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>
7		<p><b>Monitoring Officer</b> Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.</p>
8		<p><b>Decision Making</b> 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>
9		<p><b>Scrutiny</b> Ensuring an effective scrutiny function is in place.</p>
10		<p><b>Codes of Conduct</b> Developing codes of conduct which define standards of behaviour for members and staff and that these codes and policies are communicated effectively.</p>

11		<p><b>Whistleblowing and Conflicts of Interest</b></p> <p>Developing policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively</p>
12		<p><b>Training and Development</b></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>
13		<p><b>Head of Paid Service</b></p> <p>Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.</p>
14		<p><b>Laws and Policies</b></p> <p>Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.</p>
15		<p><b>Financial Management</b></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>
16		<p><b>Risk Management</b></p> <p>Reviewing the effectiveness of the framework for identifying and managing risks and for performance demonstrating clear accountability.</p>
17		<p><b>Counter Fraud</b></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>
18		<p><b>Partnerships and Governance</b></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>
19		<p><b>Internal Audit</b></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>
20		<p><b>Audit Committee</b></p> <p>Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities (2013).</p>
21		<p><b>External Audit</b></p> <p>Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.</p>

22		<p><b>Emergency Planning</b></p> <p>Ensuring we can respond effectively to an emergency within the borough.</p>
23		<p><b>Business Continuity Management</b></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
<b>External Audit</b>	Annual Audit Letter 2016/17 (October 2017)
	Audit Results Report 2016/17 (September 2017)
	Annual Certification Report 2016/17 (December 2017)
<b>Government Department or Agency</b>	Local Government Ombudsmen Report 2016/1 (July 2017)
	Compliance Directive issued by the Department of the Environment, Food and Rural Affairs (DEFRA) in relation to Air Quality (July 2017)
	Health and Safety Executive (HSE) inspection notice (January 2018)
	Inspection report from the Investigatory Powers Commissioner's Office (IPCO) (March 2018)
	Public Service Network Compliance (2017/18)
	Driver and Vehicle Licensing Agency (DVLA) data assurance audit of our use of Web Enabled Enquiry Facilities (August 2017)
	Driver and Vehicle Licensing Agency (DVLA) data assurance audit of our use of Keeper at Date of Event Enquiries (October 2017)
	Driver and Vehicle Standards Agency (DVSA) Vehicle Operators Compliance Risk Score (April 2018) and Vehicle Test History (April 2017)
<b>Other</b>	Hampshire Safeguarding Children Board (HSCB] S11 Evaluation Letter (November 2017)
	Partnership Coverage by other Audit Teams (PUSH, Project Integra, Portchester Crematorium)
	Hampshire County Council Property Services Annual Review of the Building Control Partnership (May 2017)