

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 19 October 2020

**Report of:** Deputy Chief Executive Officer

**Subject:** ANNUAL GOVERNANCE STATEMENT

#### SUMMARY

This report brings the 2019/20 Annual Governance Statement for member approval before publishing with the Statement of Accounts.

The Audit and Governance Committee's areas of responsibility for the Annual Governance Statement include:

- a) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council;
- b) To review the Council's Annual Governance Statement, prior to approval, and consider whether it properly reflects the risk environment and supporting assurances.

#### RECOMMENDATION

It is recommended that the Committee:

- a) approve the Annual Governance Statement for 2019/20, as attached as [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 (AGS) for 2019/20 as attached as [Appendix C](#), and seeks approval for this to accompany the audited Statement of Accounts for 2019/20 when they are published.

## 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. Two of these are discretionary components which are considered important to this authority.
6. There have been no changes to the required process identified for the 2019/20. However, due to the Covid-19 pandemic the government issued an amendment to the Accounts and Audit Regulations which allows the Statement to be

published later than the usual July deadline; and up to 30/11/20.

## **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's Assurance Group which consists of the Chief Executive Officer, all the directors and the Head of Finance and Audit. The following additional evidence was also reviewed to support the discussions:
  - Summary of external assurances received in the year (listed in [Appendix B](#)).
  - Review of progress made on the actions included in the previous Annual Governance Statement.
  - Annual cyber security assurances
  - Trends arising from internal audit and finance work in 2019/20.

## **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 24-25 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. In particular, this year they also reflect the impact of the pandemic on the way the Council works.

## **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 2019/20.

### **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 2019/20 (attachment).

**Background Papers:** None

### **Reference Papers:**

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











The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404)

### **Enquiries:**



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

## APPENDIX A

### Components of the Fareham BC Governance Framework

Mandatory Elements		
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</p>

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

		recommendations.
<b>Discretionary Elements</b>		
<b>22</b>		<p><b>Emergency Planning</b></p> <p>Ensuring we can respond effectively to an emergency within the borough.</p>
<b>23</b>		<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>

## APPENDIX B

### Sources of External Assurance Reviewed this Year

Type	Report
<b>External Audit</b>	Annual Audit Letter 2018/19 (September 2019)
	Audit Results Report 2018/19 (July 2019)
	Annual Certification Report 2018/19 (March 2020)
<b>Government Department or Agency</b>	Local Government Ombudsman Report 2018/19 (July 2019)
	Update to Ministerial Directive issued by the Department of the Environment, Food and Rural Affairs (DEFRA) in relation to Air Quality (May 2019)
	Public Service Network Compliance (2019/20)
	Driver and Vehicle Licensing Agency (DVLA) data assurance audit of our use of Keeper at Date of Event Enquiries (November 2019)
	Driver and Vehicle Licensing Agency (DVLA) data assurance audit of our use of Web Enabled Enquiry Facilities for Abandoned Vehicles (December 2019)
	Driver and Vehicle Standards Agency (DVSA) Vehicle Operators Compliance Risk Score (March 2020) and Vehicle Test History (March 2020)
<b>Other</b>	Hampshire Safeguarding Children Board (HSCBJ) S11 Audit Letter (September 2019)
	Partnership Coverage by other Audit Teams (PUSH, Project Integra)
	External quality audit of Building Control Partnership (BCP) by British Standards Institute (BSI) (April 2020)
	Annual ICT Security Health Check (February 2020)