FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date **23 September 2013**

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

Subject: **ANNUAL GOVERNANCE STATEMENT 2012/13**

SUMMARY

This report brings the 2012/13 Annual Governance Statement for member approval. It is a statutory requirement that this document is compiled each year and published by the Council as an accompaniment to the annual Statement of Accounts.

RECOMMENDATION

That the Annual Governance Statement for 2012/13, as attached as Appendix C, be approved, or any changes required are identified

INTRODUCTION

1. Since 2003 the Council has had a statutory obligation to publish a statement on its systems of control with its Annual Statement of Accounts. The precise wording of this obligation was updated in the Accounts and Audit Regulations 2011 which is 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. An addendum to this publication was published in December 2012 which gives councils more flexibility over what systems of controls are covered in the review of effectiveness and allows actions already taken in the year to be reported alongside new actions identified during the review.

3. Some adjustments have also been made to the wording on the statement, in particular the Chief Executive Officer and Leader of the Council will now be signing to say that:

   *"We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee and the arrangements continue to be regarded as **fit for purpose** in accordance with the governance framework.*

4. This report therefore informs members of the processes that have been used to prepare the Annual Governance Statement for 2012/13 as attached as Appendix C, and seeks approval for this to accompany the Statement of Accounts for 2012/13 due to be published in October 2013.

RESPONSIBILITIES OF THIS COMMITTEE

5. 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.

6. Member involvement in the process is important to establish corporate ownership of the governance framework.

7. 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.

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

GOVERNANCE FRAMEWORK

9. 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".*

10. In response to the new guidance, the Council has redefined its Governance Framework this year. The previous three parts have been merged into one set of 21 elements as listed in Appendix A.

SOURCES OF EVIDENCE

11. Each of these elements was reviewed and discussed by the Chief Executive Assurance Group which consists of the Chief Executive, the 5 directors and the Head of Audit and Assurance. The following additional evidence was also reviewed to support the discussions:

- Head of Audit's Annual Report 2012/13.
- Detailed review of trends on audit recommendation implementation.
- Summary of external assurances received in the year (as listed in Appendix B).
- Internal review of how the council can influence the accountability for service delivery and effectiveness of other public service providers.
- Review of progress made on the actions included in the previous Annual Governance Statement.

ANNUAL GOVERNANCE STATEMENT

12. 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. However, extra care has been taken this year to make the wording in the statement easier to understand and consistent throughout the document.

13. The list of improvements already delivered or identified during this review are highlighted on pages 17 and 18 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

14. 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

15. 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 risk based review to allow the Annual Governance Statement to be drawn up for 2012/13.

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

Report to Audit Committee 24/09/12 – Annual Governance Statement 2011/12.

Appendices:

Appendix A – Components of the Fareham BC Governance Framework.

Appendix B – List of external assurances reviewed

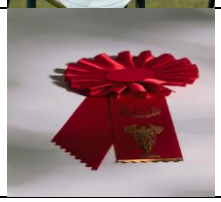
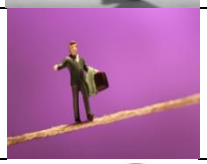
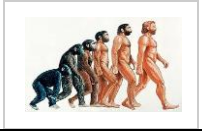
Appendix C – Draft Annual Governance Statement 2012/13 (attachment).

Enquiries:

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

APPENDIX A

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 with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact.

New Ref		Element
12		**Internal Audit** Ensuring the authority's assurance arrangements conform with 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.

APPENDIX B

Sources of External Assurance Reviewed this Year

Type	Report
External Audit	Annual Audit Letter 2011/12 (Sept 2012)
	Annual Certification Report 2011/12 (Feb 2013)
	Quarterly verbal meetings with senior managers
Government Department or Agency	Food Standards Agency [March 2013] – Interim report only received to date
	GCSx CoCo annual compliance submission (August 2013)
	DVLA - Use of Web Enabled Enquiry (WEE) System (December 2012)
	DVLA - Use of DVLA information in connection with parking contraventions (December 2012)
	VOSA - Operator Risk Score and Licence renewal
	Local Government Ombudsman - Complaints Received
Insurers	None – next due October 2013
Standards Assessment	Building Control BSI Quality Assurance Audit (April 2013)
Other	Annual inspection of fuel management system and pumps to support our license to store fuel.
	HCC Safeguarding Board - Section 11 audit submission and response.