

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	21 JUNE 2017
<b>Subject:</b>	Annual Governance Statement
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To consider the Annual Governance Statement to be signed by the Council Leader and Chief Executive.
<b>Recommendation(s):</b>	The Committee considers and approves the Annual Governance Statement.
<b>Contact:</b>	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address <a href="mailto:jackie.humphrey@eastbourne.gov.uk">jackie.humphrey@eastbourne.gov.uk</a>

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## **1.0 Background**

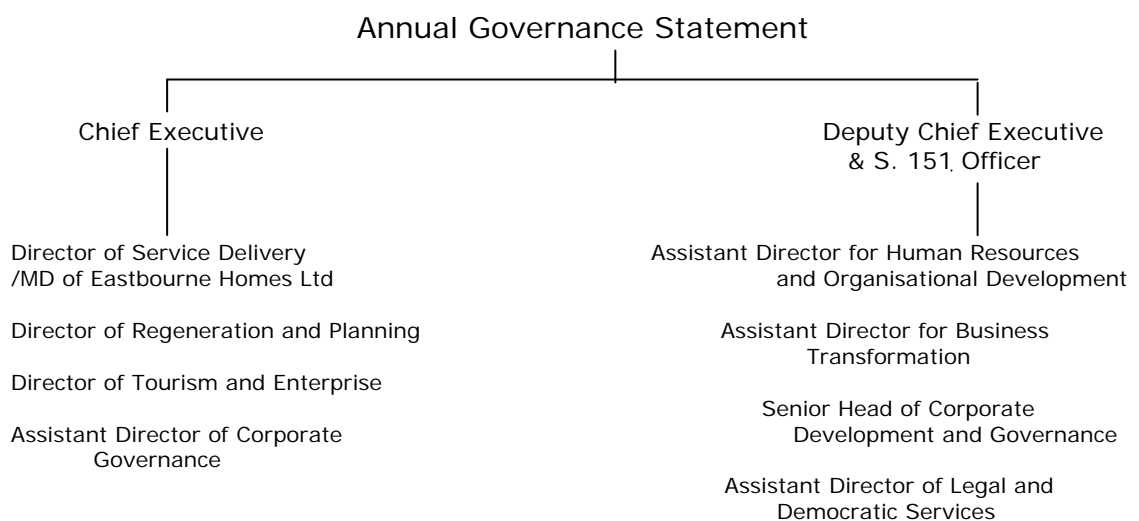
- 1.1 Corporate governance involves everyone in local government. Two definitions are:  
  
 “Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner” – Audit Commission.  
  
 “How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” – CIPFA/SOLACE
- 1.2 The Council has a legal requirement to produce an Annual Governance Statement each year. The statement accompanies the Statutory Statement of Accounts once adopted.
- 1.3 The Audit and Governance Committee is tasked with overseeing the risk management, internal control and reporting to the Council. A key component of this work is to approve the Annual Governance Statement.

## **2.0 Governance Framework**

- 2.1 The Annual Governance Statement is the report produced at the end of the year on the control environment of the Council. However this is just the end product of the framework of governance operating within the authority

throughout the year.

- 2.2 Appendix 1 shows the framework for gathering the assurances and how this is affected by and affects the relationship with partners, stakeholders and the community. Following this framework should ensure that the Council meets the six principles of corporate governance.
- 2.3 Use of this framework also allows the Council to demonstrate how its assurance gathering process links the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered.
- 2.4 Appendix 2 shows a timetable for the gathering of assurances to produce the Annual Governance Statement. Certain elements are ongoing throughout the year whereas others are specifically produced at the year end in order to feed directly into the Annual Governance Statement.
- 2.5 It is important to have a defined timeline for the gathering of information on assurance as there is a deadline (end June) for the publication of the Statement of Accounts alongside of which the Annual Governance Statement must be published.
- 2.6 Appendix 3 shows the Managers' Assurance Statement which includes coverage of the Bribery Act, Safeguarding, RIPA and frauds over £10k. The statements are intended to cover the operational, project and partnership responsibilities of Heads of Service. These can also be used to highlight concerns and actions required to improve governance throughout the Council.
- 2.7 These statements are completed by Directors and Assistant Directors and are then passed through the Chief Executive and Deputy Chief Executive. The comments made on the statements are considered for inclusion in the Annual Governance Statement. e.g.:



### **3.0 Annual Governance Statement**

3.1 The Annual Governance Statement is a document that provides a structure in which to consider the Council's governance arrangements and their effectiveness. This ensures that major control issues are identified and action taken to address these issues.

3.2 There are essentially three parts to the statement:

- ☐ A statement of responsibility and purpose
- ☐ A description of the components of the governance framework that exist in the Council
- ☐ The resulting issues and actions arising from those arrangements

3.3 The Annual Governance Statement also carries a statement on the adequacy of the Authority's counter fraud arrangements.

### **4.0 The 2016/17 Review**

4.1 The 2016/17 governance issues and subsequent action plan has been compiled from:

The annual report of the Internal Audit Manager  
Corporate Management Team  
Scrutiny reports  
Standards reports  
External Audit reports  
Reports of external review bodies  
Managers' Assurance Statements  
Evidence from the Council's Monitoring Officer(s)  
Review by the Chief Finance Officer, Deputy Chief Executive and Internal Audit Manager.

4.2 This Council is continuing with its transformation programme. Eastbourne is working with Lewes District Council on a Joint Transformation Programme. This will create a more flexible, customer-focussed and cost-effective way of delivering services by integrating Eastbourne Borough and Lewes District to form a single team. These changes will both improve customer service and reduce costs enabling each authority to reach their savings targets by 2020. A strategy for integration of services across the Councils has been agreed and from January 2016 the authorities share a Chief Executive. The Cabinets of both authorities have agreed the Joint Transformation Programme Business Case and Implementation Plan.

4.3 Completed Managers' Assurance Statements were returned from all Directors and Assistant Directors and from Eastbourne Homes Limited. Several raised concerns around the Joint Transformation Programme. These centred around the following:

- Aligning of policies across the authorities

- Ensuring the good governance is embedded in new systems
- Ensuring adequate knowledge transfer
- Ensuring new ways of working are delivered in line with assumptions.

CMT were asked to consider whether any of these individual issues or the Joint Transformation Programme as a whole should be noted as a significant governance issue or just noted in the body of the Annual Governance Statement.

CMT recognised that these were indeed risks inherent in the current programme. However it is felt that these risks are being prioritised and work is ongoing to mitigate the risks. Phase one of the programme has gone well and it was felt that this demonstrates that controls are already in place. For example, extended notices have already been issued for those leaving post where the transfer of knowledge is important. It was therefore agreed that it should appear in the body of the Annual Governance Statement but not as a separate significant governance issue.

4.4 Cipfa suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance report. In September 2015 it produced a Counter Fraud Assessment Tool to sit alongside its Code of Practice on Managing the Risk of Fraud and Corruption.

4.5 The Cipfa Code of Practice on Managing The Risk of Fraud and Corruption gives five key principles for authorities to follow. These are shown below along with the current conformance:

<b>Acknowledge the responsibility of the governing body for countering fraud and corruption.</b>
<p>The Anti Fraud and Corruption Policy has been adopted by the Audit and Governance Committee and this states that "the Council is committed to promoting an environment of effective corporate governance (i.e. the systems by which it is directed and controlled) through the openness, integrity and accountability of its Members and officers. These individuals are expected to lead by example by adhering to legally sound and honest procedures and practices."</p> <p>The authority has also shown its commitment to countering fraud and corruption by retaining a Corporate Fraud team.</p>
<b>Identify the fraud and corruption risks.</b>
<p>The Corporate Fraud team was previously handling benefit fraud but is now focussed on identifying fraud across the functions of the authority. As this work was new to the team it has started by using the areas of fraud identified in the publication "Protecting the Public Purse". However as the team has now adopted a new way of working a fraud risk assessment for the authority will be carried out in the year 16/17.</p>
<b>Develop an appropriate counter fraud and corruption strategy.</b>
<p>The authority has a policy in place and this will be regularly updated as knowledge of this area of work grows. A strategy will also be written to take into account shared working with Lewes District Council.</p>

<b>Provide resources to implement the strategy.</b>
In November 2014 the authority took the decision to retain the members of the Benefit Fraud Team to focus on corporate fraud initiatives for an initial period of two years.
<b>Take action in response to fraud and corruption.</b>
The Corporate Fraud team are undertaking ongoing training and have a plan of work to investigate areas of potential fraud. They are also mindful of national trends and emerging frauds.

- 4.6 The Cipfa Counter Fraud Assessment Tool goes into more detail on the five principles and to meet these some actions are necessary.
- 4.7 Having considered the principles the Internal Audit Manager is satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Action:	Responsibility:	Target Date:
Write a Counter Fraud Strategy to clarify points raised in the assessment tool which are not currently clearly stated.	Internal Audit Manager	April 2018
Carry out a fraud risk assessment.	Internal Audit Manager	April 2018

- 4.8 These actions were noted last year but have been postponed in order that they can be considered alongside Lewes to ensure that there is shared best practice.

## 5.0 Recommendation

- 5.1 The committee considers and approves the Annual Governance Statement

**Jackie Humphrey**  
**Internal Audit Manager**

## Background Papers:

The Background Papers used in compiling this report were as follows:

*None*