

**ANNUAL GOVERNANCE STATEMENT 2014 (DRAFT)**

**Scope of responsibility**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance/Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework, Delivering Good Governance in Local Government. A copy of the Code is on our website at <http://www.lewes.gov.uk/council/3748.asp> or can be obtained from the Head of Audit and Performance, Southover House, Southover Road, Lewes, East Sussex BN7 1AB. This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

**The purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

**The Governance Framework**

The key elements of the systems and processes that comprise the Council's governance arrangements are described below.

The Council sets out its vision, priorities, projects and planned performance in the Council Plan. Underpinning this are a number of key strategies, programmes, service delivery and project plans which provide detailed commitments in terms of the Council's services and activities. The Medium Term Finance Strategy looks ahead three years and sets out how the Council aims to balance its resources to meet statutory responsibilities and national and local priorities.

The Council Plan is approved each year by Full Council. The Council's Governance Framework is drawn together in the local Code of Corporate Governance which meets national standards.

The Council has a well-established Performance Management Framework which is supported by its project management and collaboration software system - pam (platform for achieving more). The Council has a Data Quality Policy and Strategy aimed at ensuring performance information and other data is valid, accurate, complete, timely and relevant. Progress and performance information is reported to Cabinet and Corporate Management Team each quarter. Progress on projects in the Nexus Programme is closely monitored by the Nexus Board. The quality of services is reviewed through regular consultation with, and feedback from, service users in the form of survey research, comments and complaints.

The Council's Constitution establishes clear arrangements for decision making and the delegation of powers to councillors and officers. It defines and documents the roles and responsibilities of the Council, Cabinet and Committees (including the Audit and Standards Committee and the Scrutiny Committee) as well as the roles and responsibilities of councillors and senior officers. The Council has adopted the Leader and Cabinet Model in accordance with the Local Government Act as amended by the Localism Act 2011.

Communication between councillors and officers is governed by the Protocol on Member/Officer Relations. There is also a Councillor Protocol for Procurement.

The Council's Scrutiny Committee oversees the independent review of decisions of Cabinet and other activities and functions of the Council through appointed Scrutiny Panels and the Call In procedure. The Audit and Standards Committee role includes promoting and maintaining high standards of conduct of councillors. In July 2012 the Council revised its Code of Conduct for councillors and the procedures for dealing with complaints about the conduct of councillors in accordance with the new provisions contained in the Localism Act 2011.

Standards of behaviour and conduct of councillors and officers are governed by Member and Officer Codes of Conduct, the Anti Fraud and Corruption Strategy, Whistle Blowing Policy, Anti Bribery Policy, Disciplinary and Grievance procedures and the Dignity at Work Policy. A Core Values and Behaviours Statement was agreed in April 2013, following extensive consultation with staff. These guidance documents and procedures are the subject of training/awareness raising for staff and councillors and are made available via the Council's intranet. The Council adopted a new Competency Framework in January 2014 and is beginning to embed this as part of its performance management and appraisal systems.

The Council has an established framework for financial governance based on Contract and Financial Procedure Rules, with sound budgeting systems, clear budget guidance for managers and regular reporting of financial performance to councillors and officers.

The Council's risk management framework is outlined in its Risk Management Strategy, and it is fully established and embedded within the Council. There are robust systems for identifying and evaluating risk in the decision making and service planning processes. Strategic risks are updated and reported to Cabinet annually and operational risks are reviewed as part of service planning. Key staff are trained in the assessment, management and monitoring of risk. Risk assessment and management within projects has been enhanced through the use of the risk management tool in pam.

As part of its Corporate Governance arrangements the Council has established an Audit and Standards Committee that is responsible, amongst other things, for keeping under review the probity and effectiveness of internal controls and the effectiveness of management arrangements to ensure legal and regulatory compliance. The Committee conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities", and reports to the Cabinet on the effectiveness of internal controls within the Council.

The Council has a documented Assurance Framework that sets out the sources of assurance within the Council's governance environment and provides the evidence to support the Annual Governance Statement.

The Council has an Internal Audit Section which is an independent assurance function that reports on the adequacy of the whole system of internal control as a contribution towards the proper economic, efficient and effective use of Council resources. The Section operates in accordance with the auditing guidelines contained in the Public Sector Internal Auditing Standards (PSIAS) that have applied since April 2013. The application of the standards was approved at the March 2013 meeting of the Audit and Standards Committee.

The Council has a strong anti fraud culture that is supported by councillors and officers. Proactive anti-fraud work is undertaken, particularly in the area of Benefit Fraud through the work of the Fraud Investigations Team. The outcome of this work informs the opinion on the internal control environment. The Council also has an Anti Money Laundering Policy.

The Council's Constitution sets out the roles of the Monitoring Officer and Chief Finance Officer (Section 151) - at Lewes District Council these roles are fulfilled by the Assistant Director of Corporate Services and the Director of Finance respectively. These roles include responsibility for ensuring that agreed procedures are followed and that applicable statutes, regulations and relevant statements of good practice are complied with.

The Council has a corporate complaints procedure with supporting systems to record, monitor, investigate and report complaints. Information on complaints is monitored by service managers and high level information is reported to Cabinet through the Annual Performance Report.

A councillors' induction programme takes place every four years after a District Council Election. Individual councillors' training needs are reviewed annually and specialist training on specific areas of activity are organised by officers as required e.g. IT, planning and scrutiny matters. Each year all Council committees are invited to identify training needs/issues arising from their work programme. Training needs for each member of staff are assessed as part of the annual appraisal process.

The Council has a variety of communication channels with local residents and other stakeholders. In addition the Council actively engages with different sections of the community through focus groups, user groups, partnership meetings and networks. The Council's Consultation and Communication strategies set out the approach and specific consultations are planned and agreed in an annual programme.

The Council has put in place guidance for partnership working and has identified a small number of strategic partnerships which require comprehensive governance arrangements, including an annual review by lead officers. Good governance in partnerships is also reflected in the Council's Local Code of Corporate Governance.

The Council has a Project Management Framework that contains a set of principles and procedures for the planning, control and delivery of projects. The Council has developed a set of clear and consistent project documents and associated tools which have been the subject of consultation and training amongst senior officers.

The Council has a Business Continuity Plan (BCP), and will continue to develop its processes and safeguards in this area by having at least one test exercise per year and updating our procedures where appropriate.

### **Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers within the Council who have responsibility for the governance environment, the annual report of the Head of Audit and Performance, and also the work of external auditors and other review agencies and inspectorates as outlined below.

The Head of Audit and Performance reports regularly to the Audit and Standards Committee on the work of Internal Audit, on governance and internal control, and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2013/14, the overall standards of internal control were satisfactory. Whilst recommendations have been made to improve management controls, there were no instances in which internal control issues created significant risks for the Council.

In March 2008 the Audit Committee approved the local Code of Corporate Governance. The local Code is reviewed annually by the Head of Audit and Performance and senior officers taking into account the requirements of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. The Code was reviewed in June 2013 and it was concluded that the Council continues to have satisfactory arrangements in place for corporate governance. The Code will next be reviewed in September 2014.

The Council has undergone some significant organisational change during 2013/14, including a change of Leader and the establishment of a new senior management structure. The Council has embarked on a Transformation Programme which will see a number of fundamental and far reaching developments in its approach to strategic policy making, business planning and performance. The Annual Performance Report for 2013/14 was approved by both Cabinet and Full Council in July 2014 provided both a high level summary of performance and achievements for that year as well as an outline of future strategic priorities and projects. The Council's Strategic Plan and service priorities for 2014/15 have been determined as part of a review of portfolio responsibility following the Annual Meeting in May 2014. These have been communicated via the website and internally through LDC News, the Corporate Briefing and Infolink. The new Business Strategy and Performance Team will be responsible for shaping the Council's business planning and performance management arrangements to ensure efficient and effective delivery of the Council's Transformation Programme and improvement targets over the short to medium term.

The Council has been working in partnership to develop use of a collaboration software tool (pam) to assist in the management of projects and to facilitate partnership working. The tool has also provided a Council wide platform to update and share information. The new Business Strategy and Performance Team is currently reviewing the business needs of the organisation in terms of future IT systems for performance management.

Cabinet received the Annual Report on Risk Management at its July 2013 meeting. The Audit and Standards Committee receives updates on risk management at every meeting. The reports during 2013/14 noted that most risks are mitigated by the effective operation of controls or other measures. Whilst there are some risks that are outside the Council's control, such as a major incident, flu pandemic, a downturn in the national economy or a major change in government policy or legislation, the Council has sound planning and response measures to mitigate the impact of such events and continues to monitor risks and the effectiveness of controls. Cabinet will receive the Annual Report on Risk Management in November 2014.

The Council's Business Continuity Plan (BCP) was updated in September 2014. There is a risk that a loss of IT services would mean that the priorities for restoration of services that are set out in the BCP may not be achieved in all circumstances. This risk is partially mitigated through preventative measures, and more effective mitigation is gradually being put in place with the significant upgrading of the Council's IT infrastructure that is underway.

As part of the Council's internal assurance framework senior officers have confirmed the proper operation of internal controls including compliance with the Constitution in those service areas for which they are responsible. In addition they have confirmed that there are no cases reported under the Council's Whistleblowing Policy. A joint annual statement by the Monitoring Officer and Chief Finance Officer (Section 151) has confirmed that there were no significant governance issues for the Council in 2013/14.

Under the Code of Practice for Local Authority Accounting 2012/13 the Council is required to confirm that its financial management arrangements conform with

governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer (2010). The Council's arrangements conform with the requirements of the Statement and this has been confirmed by the Director of Finance (Section 151).

There have been no cases of fraud or corruption during the year other than those benefits cases investigated by the Fraud Investigations Team. This was confirmed in the Annual Report on the Council's work to combat Fraud and Corruption for 2013/14 presented to the Audit and Standards Committee in September 2014.

There have been no cases where the Audit and Standards Committee has found a District councillor to be in breach of the Council's Code of Conduct.

A review of the Council's strategic partnerships was undertaken and the results of this work were reported to the Audit and Standards Committee at its June 2013 meeting. The guidance for partnership working is subject to review to take account of the changing nature of the partnerships that the Council is involved in and is due to be completed by the end of 2014.

The level and nature of complaints continues to be monitored as part of the new monthly performance monitoring and management arrangements for the Service Delivery Directorate. Further changes to the Complaints Procedure were approved by Cabinet in September 2013 to make it more efficient and streamlined, and to better meet the needs of complainants.

The Government relies on external auditors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The results of these reviews by the Council's external auditor, BDO, have helped inform the opinion on the internal control environment. The recent results are summarised below.

Annual Audit Letter for 2012/13 (October 2013) – This report outlined the key findings from BDO's audit of 2012/13. The letter confirmed that:

- BDO issued an unqualified true and fair opinion on the financial statements for 2012/13.
- BDO identified one material misstatement in relation to the accounting for the value of additions to HRA Council dwellings. Appropriate amendments were made to the financial statements.
- Working with Internal Audit, BDO found one deficiency in internal controls involving the authorisation of purchase order requisitions and invoices.
- Management has agreed to strengthen relevant internal controls and processes within the creditor payments system.
- BDO were satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and therefore issued an unqualified value for money conclusion.
- BDO were satisfied that the Annual Governance Statement (AGS) was not inconsistent or misleading with other information they were aware of from the audit of the financial statements and complies with '*Delivering Good Governance in Local Government*' (CIPFA/Solace).
- BDO reported on the outcome of the audit of one grant claim and three government returns for the period ended 31 March 2012. The Housing and

Council Tax Benefit subsidy claim (total value £41 million) was amended to correct errors, the overall effect being a reduction in subsidy of £902. BDO were unable to fully quantify other errors identified and included the facts in a qualification letter to the Government department (DWP).

- BDO completed a short form assurance review of the Council's Whole of Government Accounts (WGA) because the Council's WGA is below the threshold for a full assurance review. The review confirmed that the 'net funded pension balance' was consistent with the audited financial statements and the 'property, plant and equipment carrying amount at 31 March 2013' was not consistent with the audited financial statements because of the material audit adjustment.
- The Council's financial governance arrangements have continued to enable strong leadership on financial matters from the top of the organisation through the work of the Cabinet and Corporate Management Team.
- The process of financial planning is embedded across the Council through the annual budget setting process, and is supported by the medium term financial strategy which covers a three year period and is updated annually. The Council's revenue budget for 2013/14 requires additional savings of £757,000 and a contribution from the General Fund balance of £484,000 due to further reductions in the Council's grant settlement and spending pressures.

Grant Claims and Returns Certification for 2012/13 (February 2014) – The key points are:

- The certification of the national Non Domestic Rates (NNDR) was completed satisfactorily and the claim was submitted without qualification and without amendment. The claim was valued at £22.93m.
- The certification of the Pooling of Housing Capital Receipts return was completed satisfactorily and the claim was submitted as unqualified and without amendment. The claim was valued at £1.03m.
- The initial and additional testing carried out by Internal Audit identified a range of errors in the claim for Housing and Council Tax Benefit Subsidy. The claim was valued at £43.15m. In line with the requirements of the Department for Work and Pensions (DWP) and the Audit Commission a letter of claim qualification was issued, which included assessments of the possible impact of the findings.
- Following further discussion and the provision of additional supporting information by the Council, the DWP amended its assessment of the impact on the claim. There will now be a deduction of approximately £4,000 from the next settlement.

Audit Plan 2013/14 (June 2014) – The letter set out the scope of the audit work for the review of the financial year 2013/14, the fees, a risk assessment and key outputs. This was presented to the Audit and Standards Committee at its June 2014 meeting.

## **Significant governance issues**

We have been advised by the Audit and Standards Committee on the implications of the result of the review of the effectiveness of the Governance Framework.

There are no significant governance issues to report for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

Councillor Rob Blackman,  
Leader of the Council.

Jenny Rowlands,  
Chief Executive.