

DRAFT ANNUAL GOVERNANCE STATEMENT 2015

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, Fraud and Procurement, 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 2015 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 is 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 five 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 Cabinet and Full Council. The Council's Governance Framework is drawn together in the local Code of Corporate Governance which meets national standards.

Following organisational changes in 2014/15, the Council has reviewed its Performance Management Framework to reflect new business planning and performance management arrangements. Performance and project management is supported by the corporate software system (Covalent). 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 Corporate Management Team, Scrutiny Committee, and Cabinet each quarter. In addition, during 2014/15, new monthly service level performance monitoring arrangements were introduced. Progress on key transformation projects (which form part of 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 2000 as amended by the Localism Act 2011. The Council's Scrutiny Committee oversees the independent review of performance and decisions of Cabinet and other activities and functions of the Council. This is achieved through its regular meetings, appointed Scrutiny Panels and the Call In procedure.

Communication between Councillors and officers is governed by the Protocol on Member/Officer Relations which was updated at the July 2015 meeting of Full Council. There is also a Councillor Protocol for Procurement.

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 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 Competency Framework in January 2014 and is now part of the 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 is an integral part of key Council projects.

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 that is an independent, objective assurance and consulting function. It helps the Council achieve its objectives by bringing a systematic and disciplined approach to evaluating the effectiveness of risk management, control and governance processes. The Section operates in accordance with the auditing guidelines in the Public Sector Internal Auditing Standards (PSIAS), which were approved for use at the Council by the March 2013 meeting of the Audit and Standards Committee. The Head of Audit, Fraud and Procurement undertakes an annual review of the Internal Audit function against these standards.

The Council has a strong counter fraud culture that is supported by Councillors and officers. The Fraud Investigations Team works closely with officers in other departments to prevent, detect and investigate fraud, particularly in the areas of housing tenancy fraud, Council Tax fraud and business rate fraud. The outcome of this work informs the opinion on the internal control environment. The Council works closely with the national Single Fraud Investigation Service (SFIS) in the DWP to ensure an effective response to cases of Benefit fraud.

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 Corporate Services 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 quarterly 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 more robust 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.

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, Fraud and Procurement, and also the work of external auditors and other review agencies and inspectorates as outlined below.

The Head of Audit, Fraud and Procurement 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 2014/15, 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. This was reported to Cabinet at its September 2015 meeting.

In March 2008 the Audit Committee approved the local Code of Corporate Governance. The local Code is reviewed annually by the Head of Audit, Fraud and Procurement and senior officers taking into account the requirements of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. The Code was reviewed in December 2014 and it was concluded that the Council continues to have satisfactory arrangements in place for corporate governance. The Code will next be reviewed in December 2015.

The Council has undergone some significant organisational change during 2014/15. It has embarked on a Transformation Programme which will see a number of far reaching developments. This programme has brought about changes in organisational structures, staffing and the way services are delivered. It is overseen by Corporate Management Team and Councillors. Managers are working to ensure that the control environment keeps pace with these changes.

The year end Performance Report for 2014/15 was considered by both the Scrutiny Committee and Cabinet in June 2015 providing a high level summary of progress and performance. The Council's Strategic Plan and service priorities for 2014/15 were determined as part of a review of portfolio responsibility following the Annual Council Meeting in May 2014. These were communicated via the website and internally through LDC News, the Corporate Briefing and Infolink. The newly established Business Strategy and Performance Team is responsible for overseeing the Council's business planning, project management and performance management arrangements to ensure efficient and effective delivery of the Transformation Programme and improvement targets over the short to medium term.

Cabinet received the Annual Report on Risk Management at its March 2015 meeting. The Audit and Standards Committee receives updates on risk management at every meeting. The reports during 2014/15 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.

The Scrutiny Committee has met eight times since April 2014. At its January 2015 meeting it received the 2015/16 Revenue Budgets and Capital Programme so that it could make recommendations to Cabinet with regard to the budget setting process. Cabinet considered these recommendations at its February 2015 meeting.

In May 2015 there was a District Election and a subsequent new intake of Councillors. Full induction training was provided in June 2015. Officers tailored the training to pick up issues that had arisen in the previous municipal year. Training sessions were held at different times so that all Councillors would be able to attend.

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 and with the introduction of IT shared services with Eastbourne Borough Council.

As part of the Council's internal assurance framework the Council's Corporate Management Team 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 2014/15.

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 Corporate Services (Section 151).

In the first half of 2014/15, the Fraud Investigations Team dealt with cases of Benefits fraud until that role was transferred to DWP/SFIS. Since November 2014, the Team has successfully investigated cases of housing tenancy and Council Tax fraud, and has identified for action a number of premises that are not paying the correct business rates. Summaries of the cases investigated and the outcomes were included in the Annual Report on the Council's work to combat Fraud and Corruption for 2014/15, which was presented to the Audit and Standards Committee in September 2015.

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.

During April 2014, the Chief Executive commissioned an independent investigation by the then Head of Audit and Performance. The aim of the investigation was to determine whether in the course of one particular property project officers and Councillors had acted in accordance with their roles and responsibilities as set out in the Council's Constitution. As reported to the Audit and Standards Committee at its December 2014 meeting the investigation found no breaches of the Council's Code of Conduct by Councillors. However, the investigation highlighted the need for both Councillors and officers to clearly understand how development proposals of this type should be handled and how relationships with developers should be managed. The programme of major regeneration projects which is underway has required Councillors and officers to work in ways not previously envisaged, and the report identified that further guidance and training was required to address this. Such guidance and training has since been provided.

A review of the Council's strategic partnerships was undertaken and the results of this work were reported to the Audit and Standards Committee in June 2013. In February 2015 Cabinet agreed service level agreements (SLA's) for three strategic partnerships with voluntary and community associations. These have enhanced monitoring and governance arrangements of these partnerships to which the Council has awarded funding. The guidance for partnership working is also 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 2015.

Customer complaints and compliments continue to be monitored as part of monthly performance monitoring and management arrangements for the Service Delivery Directorate.

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 2013/14 (October 2014) – This report summarises the key issues from the work carried out by BDO during the year, and was presented to the December 2014 meeting of the Committee. The key issues were:

- BDO issued an unqualified true and fair opinion on the financial statements for 2013/14.
- BDO identified three misstatements in relation to revaluations of land and buildings and the accounting for the value of additions to HRA Council dwellings. Appropriate amendments were made to the financial statements. As these corrections relate to capital transactions and valuations there was no impact on the General Fund or HRA balance.
- BDO did not identify any significant deficiencies in internal controls but, working with Internal Audit, BDO observed instances where purchase orders were either in excess of the officer's formal authorisation limits or were placed by officers not on the authorised signatory list. Management has agreed to review and strengthen this control.
- BDO were satisfied that the Council has robust systems and processes to manage financial risks and opportunities effectively and to secure a stable financial position that enables it to continue to operate for the foreseeable future, and BDO therefore issued an unqualified value for money conclusion.
- BDO noted that the Council maintains healthy levels of earmarked reserves and balances, and Members have agreed a policy to use reserves to fund investments and non-recurring expenditure.
- 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 noted that the Council's Whole of Government Accounts (WGA) submission is below the threshold for audit and they were required only to review the total amounts in the Data Collection Tool for property, plant and equipment and for the net pension liability. BDO reported that the values in the Data Collection Tool were consistent with the audited financial statements.
- The Medium Term Financial Strategy was updated during the year and Members continue to consider options for achieving additional savings, with these likely to arise from the continued organisational development process and Programme Nexus.
- BDO have completed their review of the Housing Pooled Capital Receipts 2013/14 and have no matters to report.

- BDO reported on the results of the most recent grant claims and returns certification report that covered three returns for 2012/13 amounting to £67 million. The Housing Pooled Capital Receipts return and National Non Domestic Rates returns were certified without amendment or qualification. The BDO audit of the Housing and Council Tax Benefits subsidy claim for 2012/13 found a number of errors in processing. Following further discussion and the provision of additional supporting information by the Council, DWP amended its assessment of the impact on the claim and made a deduction of approximately £4,000 from the final settlement.

1.1 Grant Claims and Returns Certification for year ended 31 March 2014 (March 2015). The report was presented to the March 2015 meeting of the Committee. The key points were:

- The audit found errors in the administration of benefits involving non-HRA rent rebates, HRA rent rebates and rent allowances. The Council had already recognised the issues in the administration of benefits, and a review of the management and control structures was carried out in the summer of 2014. The Council believes that the results for the second half of 2014/15 will show material improvements from those that were the subject of the BDO report.
- The audit identified deficiencies in the Council's systems and controls around the identification of uncashed payments, and the writing back of these within the subsidy form. The Council will work with BDO to identify and put in place systems and processes that alleviate the weaknesses identified.
- As a result of the errors found in administering benefits, BDO qualified the claim across all benefit expenditure types. The additional work required to be completed by the Council and BDO meant that the audited claim was submitted to DWP two months after the deadline date.
- BDO and the Council will agree a timetable for completing the work on the next subsidy claim to assist both parties in planning and completing the audit on a timely basis.
- The certification of the returns for the Pooling of Housing Capital Receipts was completed satisfactorily, and the claim was submitted as unqualified and without amendment.

Audit Plan 2014/15 (March 2015) – The letter set out the scope of the audit work for the review of the financial year 2014/15, the fees, a risk assessment and key outputs. This was presented to the Audit and Standards Committee at its March 2015 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 2015 and up to the date of approval of the Statement of Accounts.

Councillor Rob Blackman,
Leader of the Council.

Jenny Rowlands,
Chief Executive.