

**ANNUAL GOVERNANCE STATEMENT 2013 (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, Lewes House, 32 High Street, Lewes, East Sussex BN7 2LX. 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 2013 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 annually by Full Council at its annual meeting. 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, with systems in place to ensure that performance information and other data is valid, accurate, complete, timely and relevant. Performance information on progress on key Council Plan targets is reported to Cabinet each quarter. Progress on projects in the Nexus Programme is closely monitored by the Nexus Board. The Corporate Management Team oversees the progress of other projects and performance targets in the Council Plan on a quarterly basis. 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 and Public Involvement in Health Act 2007.

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 June 2012 the Council adopted the procedures for dealing with complaints about conduct of councillors as required by 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 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 published as a Code of Practice for Internal Audit by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA has, with the other governing bodies that set auditing standards for the various parts of the public sector, adopted a revised common set of Public Sector Internal Audit Standards (PSIAS) that have applied from 1 April 2013. The application of new standards was approved at the March 2013 meeting of the Audit and Standards Committee. The standards are now in force and will govern the operation of Internal Audit for 2013/14 and thereafter. The work of Internal Audit in 2012/13 was under the auspices of the previous CIPFA Code of Practice.

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 Investigation 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 Corporate Head - Legal and Democratic 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. There is an annual report to Cabinet on complaints which includes recommendations for improvements to complaints handling.

A councillors' induction programme takes place every four years after a District Council Election. Individual Councillor 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 open to 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 a Community Engagement Group which is led by the Director of Planning and Environmental Services. Its focus is on delivering a programme of work to promote "democratic conversations" on issues of concern to local communities, using all the available communications channels.

The Council has put in place detailed best practice 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. During 2012/13 this Framework was reviewed, updated and re-issued to take account of new ways of working and the requirements of the Nexus Programme Board. 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 in place a number of quality systems to ensure compliance with the governance standards set by the accrediting bodies. These include Investors in People, EMAS and Lexcel.

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 to update our procedures where appropriate. The move to agile working, in a centralised modern office environment with new working methods, will require a comprehensive review of our current BCP arrangements.

### **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 and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2012/13, 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 review for 2012/13 concluded that the Council continues to have satisfactory arrangements in place for corporate governance as reported at the June 2013 meeting of the Audit and Standards Committee.

The Annual Performance Report for 2012/13, presented to Cabinet at its September 2013 meeting, provided a high level summary report on the Council's performance and achievements for that year. The Council Plan setting out the Council's priorities for the medium term and a forward plan of activity for 2013/14 and beyond was approved by Full Council in May 2013, subject to final sign-off by the Chief Executive and Leader of the Council.

The Council is actively using its project management and collaboration software (pam). A feature of this system is the ability to create and manage a range of projects and, following the implementation of pam all of the Council's strategic and corporate projects are now recorded and managed on the system. The Council's Project Management Framework was reviewed in light of the Council's move towards wider use of project management principles and the introduction of pam.

Cabinet received the Annual Report on Risk Management at its July 2013 meeting. The Audit and Standards Committee also received updates on risk management at every meeting. The reports during 2012/13 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 Council's Business Continuity Plan (BCP) was updated and reissued in October 2012. A review by Internal Audit noted that there is a risk that a loss of IT services would mean that the priorities for the 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 being put in place with the significant updating of the Council's IT Infrastructure in 2013.

The Council, through the work of the Community Engagement Group, is developing a 'Democratic Conversation with Lewes District' to improve the interaction between the Council and its citizens. In May 2012 Cabinet approved an action plan to take

forward this dialogue with the local community and to engender mutual trust and shared responsibility.

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 2012/13.

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 benefit cases investigated by the Fraud Investigation Team. This was confirmed in the Annual Report on the Council's work to combat Fraud and Corruption for 2012/13 presented to the Audit and Standards Committee in September 2013.

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.

An annual review of the Council's strategic partnerships has been undertaken by lead officers as required by the Council's Guidance for Partnership Working. The results of this work were reported to the Audit Committee in June 2013.

Corporate monitoring of complaints includes a quarterly report to the Corporate Management Team. The annual report for 2012/13 will be presented to Cabinet at its September 2013 meeting. Minor changes to the Complaints Procedure were approved in July 2012 to bring it in line with the Council's commitment to customers and equality issues. The Scrutiny Committee also received reports on complaints at its June and September 2012 meetings.

The Government relies on external auditors and inspectors to periodically review the work of the Council to make sure it is meeting its statutory obligations for its services. The results for 2012/13 are shown below:

Annual Audit Letter for 2011/12 (October 2012) – This report outlined the key findings from PKF's audit of 2011/12. PKF concluded that:

- The financial statements give a true and fair view of the Council's financial affairs, and income and expenditure for the year were properly accounted for in accordance with the Code of Practice on Local Authority Accounting in the UK 2011/12.
- Internal controls remain adequate, although there was one area where the control environment could be strengthened. Action has been taken to ensure the authorisation of purchase orders remains within officers' formal limits and orders are only placed by officers who are on the authorised list.

- The AGS was not inconsistent or misleading with other information they are aware of from the audit of the financial statements.
- An unqualified opinion was appropriate for the Whole of Government Accounts assurance statement.
- In all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and issued an unqualified value for money conclusion.
- The Council has continued to exhibit clear financial leadership from the top of the organisation, with member and officer involvement in reviewing financial matters ensuring the financial position is documented and impacts on developed financial plans.
- The Council continues to recognise that the short term will be extremely challenging and, through its annual budget preparation and medium term financial planning processes, is confident that the current level of available reserves provides it with sufficient funding to support core services and key priorities over the period.

Annual Governance Report for 2011/12 (September 2012) – The key findings and conclusions from this report were summarised in the Annual Audit Letter (see above). In addition, PKF concluded that:

- Internal Audit has satisfactorily carried out a programme of work and we were able to place reliance on their work for the testing of the effectiveness of specific controls.

Planning Letter 2012/13 (November 2012) – The letter setting out the proposed fees and programme of work for the review of the financial year 2012/13 was presented to the January 2013 meeting of the Audit and Standards Committee. The detailed plan of audit work, including the risk assessment on which the plan is based, was published in February 2013 and presented to the March 2013 meeting of the Committee.

Grant Claim Certification for 2011/12 (December 2012) was presented to the January 2013 meeting of the Committee. The key points were:

- PKF were satisfied with the accuracy of the preparation of grant claims and returns and were able to certify all but one without qualification.
- Issues noted in the testing of the Housing benefit subsidy claim resulted in both the amendment of the claim and the issue of a qualification letter to the Department of Work and Pensions (DWP).
- All testing in respect of the Housing and Council Tax benefit subsidy was completed by Internal Audit staff, and PKF re-performance of that work agreed with their conclusions.

### **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 2013 and up to the date of approval of the Statement of Accounts.

Councillor James Page,  
Leader of the Council.

Jenny Rowlands,  
Chief Executive.