

Report to:	Audit and Standards Committee
Date:	16th July 2019
Title:	Annual Governance Statement
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To seek Councillors' approval of the Annual Governance Statement.
Officer recommendation(s):	To comment on and approve the draft Annual Governance Statement
Reasons for recommendations:	To meet the Council's legal requirement to produce an Annual Governance Statement.
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1 Introduction

- 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 in accordance with the Accounts and Audit Regulations, 2015. The statement accompanies the Statutory Statement of Accounts once adopted.
- 1.3 The Audit and Standards 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 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 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 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 as well as items of general governance. 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, Assistant Directors and Heads of Service. The comments made on the statements are considered for inclusion in the Annual Governance Statement. Members of the Corporate Management Team are also required to complete the declarations which appear at the bottom of Appendix 3

3 Content of the 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 The 2018-2019 review

- 4.1 The Annual Governance Statement last year contained a paragraph about the ongoing Joint Transformation Programme. This paragraph has been updated to read:

During the financial year the Council continued with its Joint Transformation Programme. However, it was reaching its conclusion at the year end. This programme was intended to create a more flexible, customer focussed and cost effective way of delivering services across Eastbourne Borough Council and Lewes District Councils. These changes were implemented to improve customer service and reduce costs by enabling each authority to reach their savings targets by 2020. The programme was agreed by the Cabinet at each authority and overseen by a cross party project board from both authorities. The programme was also overseen by senior management and Members, and was managed using established project management tools.

- 4.2 One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors and Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

- 4.3 Completed Managers' Assurance Statements were returned from Directors, Assistant Directors and Heads of Service. Many statements contained a range of concerns around the impact of the Joint Transformation Programme. These included: aligning policies, training staff, resource issues, developing new teams and building a joint culture.

- 4.4 Last year a paragraph was included by CMT in the Annual Governance Statement to cover these risks. This has been updated as below.

During the financial year the Council continued with its Joint Transformation Programme. However, it was reaching its conclusion at the year end. This programme was intended to create a more flexible, customer focussed and cost effective way of delivering services across Eastbourne Borough Council and Lewes District Councils. The inherent risks of the programme were recognised throughout and every effort made to mitigate these risks. Now that the programme is reaching its conclusion a review of outcomes is being undertaken. A Supporting Change Steering Group has also been set up to support services going forward giving an overview to all projects and new systems with a view to understanding costs, benefits, impacts and resources.

- 4.5 Document retention and risk management were also raised in several statements. However a project group has been set up to look at document retention and work is about to begin looking at the risk management process across the authorities. It is therefore suggested that these do not currently constitute significant issues.
- 4.6 The new housing software was also raised by several respondents. The issues around its implementation has taken a lot of staff resources both in the department and in other departments. These issues are ongoing and have had an impact on the closure of accounts. It is also considered that the project has not met its objectives. This has been included in the Annual Governance Statement as a significant governance issue.
- 4.7 The Director of Tourism and Enterprise raised significant governance issues in their declaration. These were around the deterioration building assets. In each instance surveys and longer-term plans are required. CMT considered this and agreed that a paragraph be added to the body of the statement but that this did not constitute a significant governance issue. The added paragraph is below.

Asset Management issues were also raised in the Managers' Assurance Statements returned. The Corporate Management Team agreed that an external review had been commissioned that had resulted in a detailed report on the current condition and future of some assets. This report is being reviewed to consider future options.

- 4.8 The Cipfa Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the Council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

5 Financial appraisal

- 5.1 There are no financial implications arising from this report.

6 Legal implications

- 6.1 This report demonstrates compliance with regulation 6 of The Accounts and

Audit Regulations 2015. Regulation 6 requires the Council, in reviewing its system of internal control, to prepare an annual governance statement and secure its approval by resolution of the appropriate committee; in the case of LDC, this is the Audit and Standards Committee.

Lawyer consulted 13.06.19

Legal ref: 008349-LDC-OD

7 Risk management implications

- 7.1 Failure to produce an Annual Governance Statement, and to maintain proper assurance arrangements to support its production, can reduce the likelihood of the Council meeting its objectives, and attract criticism from the Council's stakeholders and the Council's external auditor. The Audit and Governance Committee review of the Annual Governance Statement significantly reduces these risks.

8 Equality analysis

- 8.1 A detailed Equality analysis is not required for this report.

9 Appendices

- Appendix 1 – Governance Framework
- Appendix 2 – Annual Governance Statement Timetable
- Appendix 3 – Managers' Assurance Statement
- Appendix 4 - Annual Governance Statement

10 Background papers

- 10.1 Annual Report on the Council's Systems of Internal Control 2018/19