

ANNUAL GOVERNANCE STATEMENT 2016/17

Introduction

Under the Accounts and Audit (England) Regulations 2011 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee (those charged with governance). The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

1. Standards of Governance

- 1.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, Constitution, and policies of the Council as well as applicable statutory requirements.

2. Scope of Responsibility

- 2.1 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 to secure continuous improvement.
- 2.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities 2016 edition. The Council has adopted a local code based on this framework [Insert Hyperlink to March 2017 Governance and Audit Report, Appendix A] Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulation and ensuring the effective exercise of its functions.

The Seven Core Principles are

- (a) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- (b) Ensuring openness and comprehensive stakeholder engagement
- (c) Delivering outcomes in terms of sustainable economic, social and environmental benefits
- (d) Determining the interventions necessary to optimise the achievement of the intended outcomes
- (e) Developing the Council's capacity including the capability of its leadership and the individuals within it

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- (f) Managing risks and performance through robust internal control and strong public management
- (g) Implementing good practice in transparency, reporting and audit to deliver effective accountability

2.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

3. The Purpose of the Governance Framework

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

3.2 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, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on- going process (supported by quarterly risk review and the work of Internal Audit) to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

3.3 The governance framework has been in place at the Council for the year ended 31st March 2016 and will be reviewed up to the date of approval of the statement of accounts. The Governance Framework is constantly reviewed to take into account organisational changes and changes in regulation and best practice.

3.4 Internal audit, on a risk basis, reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;

3.5 The Head of Internal Audit annually assesses the delivery of Internal Audit Services against the Public Sector Internal Audit Standards.

4. The Governance Framework

4.1 The key elements of the systems and processes that comprise the Authority's governance framework which encapsulate the seven principles above include:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Corporate Plan 2016/17 (approved February 2016) sets out the priority areas for the Council. It is reviewed annually to ensure the key activities meet the needs of the community

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- The Council's Medium Term Plan 2016/17 to 2019/20 approved February 2016 which outline the Council's financial plans and priorities - these inform the service and financial planning process;
- Performance management and Risk and Opportunity framework manage delivery of Council priorities
- Corporate Management Team provides strategic and operational leadership to the Council;
- The Council's communication and consultation strategies

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected from members and officers;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- Regular Portfolio Holder Briefings between Executive Members and Corporate Management Team to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options;
- The Council operates a 'strong leader model' with an Executive. The constitution clearly set out these roles
- Designated statutory officers – Head of Paid Service (Corporate Directors), Chief Financial Officer (S151 Officer), Monitoring Officer (Head of Legal and Democratic Services).

Taking Informed and transparent decisions which are subject to effective scrutiny and managing risk

- The democratic decision making and accountability processes contained within the Constitution;
- The Ethical Governance Committee, Governance and Audit Committee, Scrutiny Function and other Regulatory Committees;
- The Council's Information Governance Framework, data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- Project Management Framework to manage the Council's change programmes;
- Risk Management and Opportunity Framework

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- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- A Legal Services Team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's communication and consultation strategies;

Developing the capacity and capability of members and officer to be effective

- The Council's workforce/organisational development procedures and induction processes seek to develop skills on a continuing basis to improve performance and resilience.
- The Council regularly seeks Member engagement and guidance through Member workshops, Executive Advisory Panels. Member Project Board. Specific training has been provided in areas such as planning.
- Officer and Member Induction Programmes

Engaging with local people and other stakeholders to ensure robust public accountability

- The Council consults using a variety of methods including consultation, surveys. Feedback forms, focus groups
- The Council's vision and priorities are regularly communicated to the Community through Harborough News and to Businesses through the Business Newsletter:
- Committee and Council meetings are open to the public and can be recorded if they so wish
- Active Parish Liaison including an annual parish liaison meeting
- The Council encourages all types of feedback (complaints, compliments comments and suggestions) which can be accessed via the website, face to face, telephone, email and letter.
- Promoting consultation and other feedback through social media and other communication methods
- Internal audit, on a risk basis, reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;
- The Head of Internal Audit annually assesses the delivery of Internal Audit Services against the Public Sector Internal Audit Standards.

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- Progressing a Local Plan to ensure planning decisions are made and determined in accordance with the National Planning Policy Framework (NPPF)

5. Review of Effectiveness

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-

- the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment;
- the work of internal audit
- the operation of the Council's Governance arrangements
- Reports and observations made by the external auditors and other external review agencies and inspectorates.
- Customer complaints and comments

5.2 The Executive monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Executive members undertake monthly portfolio holder meetings with individual members of Corporate Management Team in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Executive. The Council has a report writing guide and sign-off arrangements for committee reports.

5.3 The Council's Scrutiny function continues to review the development of policy, performance and risks as well as undertaking reviews of particular areas of the Council's activities through their work plan and task groups.

5.4 The Audit and Governance Committee receive reports from the Council's External and Internal Auditors. All Internal Audit reports during the year secured sufficient or substantial assurance.

5.5 The Internal Audit service undertaken by the Welland Internal Audit consortium delivered 100% of the audit plan. Their work concluded there was a sound system of Internal Control in place during 2016/17 as detailed in the Head of Internal Audit's annual report where she concluded

- It is my opinion that **Sufficient Assurance** can be given over the adequacy and effectiveness of the Council's control environment that has been operating for 2016/17. This control environment comprises of the system of internal control, governance arrangements and risk management. The level of assurance remains at a consistent level from 2015/16.
- Controls relating to those key financial systems which were reviewed during the year were concluded to be generally at a level of Sufficient Assurance.
- During 2016/17, the Council received no Internal Audit reports with a lower than Sufficient Assurance opinion. Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion.

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- During 2016/17, Internal Audit has made 41 recommendations to address any areas of weakness highlighted by the reviews. Of those actions which were due for implementation, 93% have been completed during the year but it should be noted that a number are not yet due for implementation and there are 17 actions which remain overdue from previous financial years. This requires management's attention to ensure improvement.

During 2016/17, the Council received 11 audit reports. These are detailed below:

Area	Substantial	Sufficient	Limited	No
Financial Systems	1	2	-	-
Governance & Counter Fraud	-	3	-	-
Service Delivery & Best Value	1	4	-	-
Total	2	9	0	0
Summary with 2015/16 Comparison	18% (20%)	82% (70%)	0% (10%)	0% (0%)

The Audit Plan for 2016/17 was informed by a risk based review of the Council's service and financial planning processes, and external inspection reports (including audits). Internal Audit, Corporate Management Team and the Governance and Audit Committee also fed into the final programme.

Internal Audit report to each Governance and Audit Committee, and attend to present and take questions on their reports. Where appropriate, Corporate Director and Heads of Service will attend the Audit Committee to provide additional assurances or to be questioned on the effectiveness of their internal control arrangements.

- 5.6 The latest External Auditors Annual Letter from the Council's appointed External Auditors, KPMG for the financial year 2015/16 issued unqualified opinions on the financial statements and Value for Money Arrangements of the Council. These confirm that the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year included the following headlines and that the Council have proper arrangements for securing financial resilience, economy, efficiency and effectiveness,

Regular meetings take place between the lead KPMG Director and the Corporate Director and S151 Officer

- 5.7 The Council's ICT arrangements are partially compliant with the Government's Public Services Network Code of Connection (COCO) protocol. Ongoing project work has (and continues to be) undertaken to address the action plan, especially in respect of server migration to supported operating systems. During 2016/17 the Council experienced four ransomware attacks. No payments were made and systems were restored within each working day from the Council's back-up system. The Council commissioned a full ICT security review from Secure Data using the Government's Cyber Essential Framework and is implementing a prioritised action plan. The Council's emails are now 'sandbox' checked outside the Council's Network alongside improvements to the website permissions to prevent

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access/direction to 'uncategorized' websites. Since these improved systems and controls have been implemented there have been no further successful ransomware or malware attacks.

ICT security remains a priority for the Council. Additional resilience has been secured through an interim ICT Manager for the Leicestershire ICT partnership. An ICT Disaster Recovery test was planned in 2016/17 and undertaken in April 2017. Further tests are planned for 2017/18

- 5.9 The Council has an Anti-Fraud & Corruption Policy There were no incidences of corporate fraud reported in 2016/17. The Council has agreed to work with Leicester City and other Councils in Leicestershire in a single fraud hub. An information sharing agreement has been signed.
- 5.10 The Council monitor its performance using the corporate performance management system, TEN. This system is accessible by Council Members and Officers with quarterly performance and risks reports being considered by Executive and Scrutiny. The Council undertakes regular data quality reviews to ensure the integrity and accuracy of reported information. These are reported to the Performance Improvement Board. There were 60 Key Activities agreed in the Corporate Delivery Plan for 2016/17. The performance at the end of 2016/17 was, 14 (23.3%) Key Activities were completed. 38 (63.3%) Key Activities had a status of Green, 6 (10%) had Amber status. 1 (1.7%) Key Activity was classed as Red status. One Key Activity (1.7%) was deferred until the 2017/18 year.
- 5.11 The Council has in place an approved constitution which governs the decision making of the Council. Decisions have been made in accordance with the Council's constitution during 2016/17 with no need for either monitoring officer or s151 officer reports to be issued. The Council has continued to review its governance framework through the Constitutional Review Committee. The change to the constitution is due to be adopted and implemented by Council in July 2017
- 5.12 The Local Development Scheme (the timetable for approval of the local plan by Council and subsequent issue for public examination) slipped during the year leading to a six month delay in approval from December 2016 to July 2017. The combination of a lack of five year housing supply and the local plan not being adopted is leading to sporadic development
- 5.13 The Council continued to embed its arrangements for planning and implemented the Section 106 Action Plan from a previous audit.
- 5.14 There were no referrals to the Information Commissioner during the year in respect of information security or data protection during 2015/16
- 5.15 There were two complaints to the ombudsman against HDC upheld (out of 15 received).
- 5.16 Business Continuity Plans were further developed in 2016/17 and will be tested in 2017/18.
- 5.17 Corporate Directors, Heads of Services and Service Managers have signed annual assurance certificates confirming that the governance framework has been

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operating effectively within their areas of responsibility, subject to the actions outlined in **Appendix B**.

5.18 Progress against the areas identified for improvement in the Annual Governance Statement 2015/16 is outlined in **Appendix A**.

Signed

Blake Pain, Leader of the Council

Beverley Jolly, Corporate Director

Simon Riley, Section 151 Officer

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Appendix A:

Progress on areas identified in 2015/16 Annual Governance Statement for Improvement

	2015/16 Recommendation	Responsible Officer & Target Implementation Date	Update
1	Implementation of Audit Recommendations by agreed dates	Corporate Directors and Heads of Service	<p>This has been an area of focus for the Governance and Audit Committee. Audit Evidence Days are held prior to each Governance and Audit Committee and actions closed. However, still 22 outstanding recommendations (March 2017)</p> <p>(carried forward to Appendix B)</p>
2	Test the Council's ICT Disaster Recovery Arrangements Business Continuity Plans and undertake a scenario test	S151 Officer and Service Manager ICT	<p>The Council's ICT Disaster Recovery Arrangements were tested on the 11th and 12th April 2017. Technical difficulties with the back-up storage were experienced which limited testing. Further testing scheduled for 2017/18</p> <p>(carried forward to Appendix B)</p>

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Appendix B

Areas identified in 2016/17 Annual Governance Statement for Improvement

	2015/16 Recommendation	Responsible Officer & Target Implementation Date
1	Implementation of Audit Recommendations by agreed dates <ul style="list-style-type: none">- Embed Audit Evidence Days- Database tracker of outstanding recommendations- Corporate Director/Head of Service Review of draft audit reports to ensure smart recommendations are established at point of issuing the report	Corporate Directors and Heads of Service
2	Test the Council's ICT Disaster Recovery Arrangements <ul style="list-style-type: none">- Offsite Restore- Test Business Continuity Plan for unavailability of The Symington Building- Review Maintenance and Support Agreements	S151 Officer and Interim Service Manager, ICT
3	Implement Cyber-Essentials Action Plan <ul style="list-style-type: none">- Review prioritisation to assess resilience against current threats- Test Cyber-essentials through phishing exercises- Provide regular cyber – security training	S151 Officer and Interim Services Manager, ICT
4	Local Plan Timetable and Delivery <ul style="list-style-type: none">- Ensure that the revised Local Development Scheme is adhered to- Effective working and challenge with other Districts and the City in respect of the Duty to Co-operate	Head of Planning and Regeneration