ANNUAL GOVERNANCE STATEMENT 2017/18

Introduction

Under the Accounts and Audit (England) Regulations 2015 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 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 optomise the achievement of the intended outcomes;

(e) Developing the Council's capacity including the capability of its leadership and the individuals within it;

(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 2018 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 2017/18 (approved February 2017) and Corporate Delivery Plan sets out the priority areas for the Council. It is reviewed annually to ensure the key activities meet the needs of the community. The Council also reviewed and agreed new priorities and critical outcomes for 2018/19 (approved February 2018)

- 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. A revised constitution was approved by Council during 2017/18

- 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 (Joint Chief Executives), 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;

- 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 (2015);

- 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;

- 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.

5.5   The Internal Audit service undertaken by LGSS delivered 100% of the audit plan. Their work concluded there was a sound system of Internal Control in place during 2017/18 as detailed in the Head of Internal Audit's annual report where she concluded

- That **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment that has been operating for 2017/18. This control environment comprises of the system of internal control, governance arrangements and risk management. The level of assurance remains at a generally consistent level from 2016/17.
- Controls relating to those key financial systems which were reviewed during the year were concluded to be generally at a level of Satisfactory Assurance.
- During 2017/18, the Council received only one Internal Audit report with a lower than Satisfactory Assurance opinion. Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion.

- During 2017/18, Internal Audit has made 60 recommendations to address any areas of weakness highlighted by the reviews. Of those actions which were due for implementation, 100% have been completed during the year but it should be noted that a number are not yet due for implementation and there are seven actions which remain overdue from previous financial years.

  Improvements in implementing audit recommendations were identified as a priority in the 2016/17 Annual Governance Statement. Improved governance is demonstrated through 100% of in-year audit recommendations being actioned during 2017/18. Therefore, this is not carried forward as a specific action to 2018/19.

5.6   During 2017/18 nine audits were completed (100% of the Audit Plan) and each resulted in two audit assurance opinions – one on the design of the control environment and one on the compliance with controls.

Area	Substantial	Good	Satisfactory	Limited	None
Financial Systems	-	-	2	-	-
Governance & Counter Fraud	2	-	3	1	-
Delivery of Corporate Objectives	1	5	4	-	-
Total	**3**	**5**	**9**	**1**	**0**

The Audit Plan for 2017/18 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 Directors and Heads of Service will attend the Governance and Audit Committee to provide additional assurances or to be questioned on the effectiveness of their internal control arrangements.

5.7   The latest External Auditors Annual Letter from the Council's appointed External Auditors, KPMG for the financial year 2016/17 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 has proper arrangements for securing financial resilience, economy, efficiency and effectiveness.

Regular meetings take place between the lead KPMG Director and the Joint Chief Executive and S151 Officer.

5.8   The Council has an integrated business and performance management framework and reporting mechanism (TEN). Assurances are sought and evidenced through 1:1 meetings with staff. Corporate Management Team and Service Managers are

required to produce annually a 'Senior Management Assurance Statement' that is used to inform this Annual Governance Statement.

5.9   The Council's ICT arrangements were assessed in 2017/18 against the Government's Public Services Network Code of Connection (COCO) protocol. This identified a series of actions required to obtain compliance, especially around patching documentation and further work required to the Council's firewalls. This work was undertaken in 2017/18 along upgrades in the Council infrastructure, firewalls and Citrix environment. 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 2017/18 the Council experienced no further ransomware attacks. The Council commissioned in 2016/17 a full ICT security review from Secure Data using the Government's Cyber Essential Framework. This was reassessed in 2017/18 using NTA Monitor and further actions have now been fully implemented. However, this remains a key priority which is expected to be a focus area in 2018/19. Inevitably, threats constantly change and require ongoing vigilance and system improvements. ICT security remains a priority for the Council. Due to the major refresh of the Council's ICT Infrastructure the second   Disaster Recovery test planned in 2017/18 was postponed and will be prioritised in 2018/19 The Council will in early 2018/19 be seeking full PSN compliance.

5.10   The Council's payroll service is provided by Leicester City Council under a delegation agreement. In May 2017 the city migrated their payroll system to a new system. Significant work and assurance testing by the Council has been undertaken to ensure that pay and management information is accurate, and to ensure that the functionality of the new system and core data for the Council held by the City Council provides sufficient assurance. An internal audit consultancy report was commissioned by the Council in year that concluded that *Based on review of the outstanding system issues together with audit testing carried out as part of the annual audit of key financial controls it is Internal Audit's opinion that, whilst there remain a number of areas requiring resolution to ensure that the new systems and processes are operating as efficiently and effectively as possible, suitable compensating controls are in place where necessary. Consequently, there is no evidence of any fundamental control weaknesses that are likely to have a material impact on the Council's overall assurance framework or its exposure to significant risks of fraud, error or poor value for money*.

5.11   The Council has an Anti-Fraud & Corruption Policy. This was refreshed in 2017/18 and considered by the Ethical Governance Committee, Governance and Audit Committee and subsequent approval by Council. There were no incidences of corporate fraud reported in 2017/18. 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. The Council also adopted a new stand-alone Anti-Bribery policy, Anti money Laundering Policy and a Fraud Response Plan.

5.12   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 62 Key Activities agreed in the Corporate Delivery Plan for 2017/18. The performance at the end of 2017/18 was, 34 (54.8%) Key

Activities were completed. 19 (30.6%) Key Activities had a status of Green, 8 (12.9%) had Amber status. 1 (1.0%) Key Activity was classed as Red status.

5.13 The Council monitors strategic risks through Executive and the Performance Scrutiny Panel. There were no risks assessed as red in 2017/18. Risks are managed by the risk owners and mitigating actions monitored by the Corporate Management Team.

5.14 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. Change to the constitution were adopted and implemented by Council in 2017/18.

5.15 The Council in line with the revised Local Development Scheme (the timetable for approval of the local plan by Council and subsequent issue for public examination) was approved by Council for examination in March, with the examination scheduled for October 2018. During the year a lack of five year housing supply and the local plan not being adopted led to sporadic development.

5.16 There were two referrals to the Information Commissioner during the year in respect of information security or data protection during 2017/18. No action was required. The Council during 2017/18 has been preparing for the new GDPR requirement from May 2018. Policies and Strategies have been produced to fulfil our obligations.

5.17 There was one complaint to the ombudsman against HDC upheld (out of 12 received). Five were not upheld and six were closed after initial enquiries.

5.18 Business Continuity Plans were further developed in 2017/18 and will be tested in 2018/19.

5.19 The Council requested a LGA Peer Challenge that was undertaken in March 2018 which noted that current decision-making processes can be cumbersome, and outcomes are not always clear and that the Council should review how business intelligence is sourced and used across the organization. This will be a focus area for 2018/19.

5.20 Corporate Directors, Heads of Services and Service Managers have signed annual assurance certificates confirming that the governance framework has been operating effectively within their areas of responsibility, subject to the actions outlined in **Appendix B**.

5.21 Progress against the areas identified for improvement in the Annual Governance Statement 2016/17 is outlined in **Appendix A.**

6 Conclusion

6.1 The Council will throughout the year monitor and seek assurances in respect of the Governance Framework and will monitor implementation as part of the next annual review.

APPENDIX A

Signed

Cllr Neil Bannister, Leader of the Council

Beverley Jolly, Joint Chief Executive

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

	2016/17 Recommendation	Responsible Officer & Target Implementation Date	Update
1	Implementation of Audit Recommendations by agreed dates - 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 Target Date: 30/12/2017	This continues to be an area of focus for the Governance and Audit Committee and Corporate Management Team. Monthly meetings are held with the Head of Internal Audit to monitor and where possible audit recommendations are evidenced and closed.

2	Test the Council's ICT Disaster Recovery Arrangements
	  - Offsite Restore
	  - Test Business Continuity Plan for unavailability of The Symington Building
	Review Maintenance and Support Agreements
		S151 Officer and Interim Service Manager, ICT
		
		Target Date 31/03/2018
			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. Following penetration testing linked to the PSN Co-Co compliance the Council initiated a significant refresh of the ICT infrastructure. The Council will now be undertaking Disaster Recovery testing in 2018/19 to test the new arrangements **(carried forward to Appendix B**)

3	Implement Cyber-Essentials Action Plan
	  - 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
		
		Target Date 31/03/2018
			The Council has implemented many of the technology actions detailed in the plan with further improvements planned. There is a need to actions a number of the people aspects, for example user awareness, phishing exercises to test effectiveness **(carried forward to Appendix B)**

4	Local Plan Timetable and Delivery - 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 Target Date: Ongoing	The Local Plan was submitted for examination in accordance with the approved local development scheme. Inspection of the Local Plan scheduled for October 2018

Areas identified in 2017/18 Annual Governance Statement for Improvement

	2017/18 Recommendation	Responsible Officer & Target Implementation Date
1	Test the Council's ICT Disaster Recovery Arrangements - Offsite Restore - Test Business Continuity Plan for unavailability of The Symington Building - Review Maintenance and Support Agreements - Implement updated ICT Security guidance for staff and test *Recommendations 1 & 2 c/fwd. from 2016/17*	Head of Finance and Corporate Services and Service Manager, ICT Target Date 31/03/2019
2	Streamline Decision making processes, business intelligence and performance management systems to promote efficiency and secure clearer outcomes	Corporate Director (BJ) Head of Finance and Corporate Services Target Date 31/12/2018
3	Implement Local Plan Policies following inspection and promote actions to achieve 5 year housing supply	Corporate Director (NP) Head of Planning and Regeneration Target Date 31/03/2019
4	Implement successfully new requirements in respect of Data protection (GDPR) and measure its compliance	Head of Finance and Corporate Services and Service Manager, Corporate Services Target Date 25/5/2018 Implementation Target Date 31/12/201 Review of effectiveness