

APPENDIX A

ANNUAL GOVERNANCE STATEMENT 2015/16

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 2012 edition. Within this code and to meet its responsibilities, the Council (members and officers) is 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.
- 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)

APPENDIX A

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 organizational changes and changes in regulation and best practice.

4. The Governance Framework

- 4.1 The key elements of the systems and processes that comprise the Authority's governance framework include:

- Corporate Plan 2014/15 - approved 23rd February 2015;
- The Council's Medium Term Plan 2013/14 to 2015/16 approved 7th October 2013 which outline the Council's financial plans and priorities and subsequently updated for the period 2016/17 to 19/20 on 22nd February 2016 - these inform the service and financial planning process;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Designated statutory officers – Head of Paid Service (Corporate Directors), Chief Financial Officer (S151 Officer), Monitoring Officer (Head of Legal and Democratic Services).
- Project Management Framework to manage the Council's change programmes;
- The Council's Information Governance Framework including a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- Performance management and Risk and Opportunity framework to manage delivery of Council priorities;
- 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 democratic decision making and accountability processes contained within the Constitution;
- Corporate Management Team that meets weekly providing strategic and operational leadership to the Council;
- 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 Ethical Governance Committee, Audit Committee, scrutiny function and other regulatory committees;

APPENDIX A

- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's workforce/organisational development procedures and induction 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;
- The Council's communication and consultation strategies;
- 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);
- 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.

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.

APPENDIX A

- 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 218 days (93% of the Internal Plan during the year). Their work concluded there was a sound system of Internal Control in place during 2015/16 as detailed in the Head of Internal Audit's annual report where she concluded
- Sufficient Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice.
 - The level of assurance, therefore, remains at a consistent level from 2014/15.
 - 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 2015/16, the Council received 10 audits, with one Internal Audit report S106 being assessed as Limited Assurance. A full and detailed action plan was implemented and supported by Internal Audit through an embedded assurance role.

| Area | Substantial | Sufficient | Limited | No |
|--|---------------------|---------------------|--------------------|-------------------|
| Financial Systems | - | 3 | - | - |
| Governance | - | 1 | - | - |
| IT | - | 1 | - | - |
| Service Delivery | 2 | 2 | 1 | - |
| Total | 2 | 7 | 1 | 0 |
| Summary with 2014/15 Comparison | 20% (29%) | 70% (71%) | 10% (0%) | 0% (0%) |

There was a decline in the number of audit recommendations actioned by the due date. This has been acted upon to improve timeliness of completion and evidence supplied to internal audit to close a recommendation. Further improvements is planned in this area and therefore is included on the action plan for 2016/17

The Audit Plan for 2015/16 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

APPENDIX A

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 2014/15 included the following headlines:

- Audit Opinion: We issued an unqualified opinion on your financial statement on 29th September 2015. This means that we believe 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
- VFM conclusion: We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 29th September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness, To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritizing resources and improving efficiency and productivity

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

5.8 The Council's ICT arrangements are compliant with the Government's Public Services Network Code of Connection (COCO) protocol. Ongoing Upgrades to the Council infrastructure and corporate systems has further strengthened the Council's Internal Control frameworks. Full testing of the Council's ICT Disaster Recovery arrangements was not undertaken in 2015/16 and is a priority for 2016/17 – this is included on the 2016/17 action plan.

5.9 The Council has an Anti-Fraud & Corruption Policy There were no incidences of corporate fraud reported in 2015/16. Specific benefit fraud work was undertaken by the Revenues and Benefits Partnership but was transferred to the DWP during the year. The District Council has agreed to work with Leicester City and other Councils in Leicestershire in a single fraud hub. .

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 undertake regular data quality reviews to ensure the integrity and accuracy of reported information. The action arising from a data quality audit in 2014/15 were also implemented during 2015/16.

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 2014 with no need for either monitoring officer or s151 officer reports to be issued. The Council has continued to review its governance framework to gain assurance that its approach to corporate governance and the operation of the Council's Constitution. During 2015/16 a Constitutional Review (facilitated by an External consultant) was undertaken and reviewed via the constitutional review committee. This work is ongoing into 2015/16.

APPENDIX A

- 5.12 The Council embedded its arrangements for planning arising from a Service Review and recommendations made in the Independent Review of Planning Decisions. The Section 106 process has been reviewed and strengthened during the year following the receipt of the limited assurance internal audit report
- 5.13 There were no referrals to the Information Commissioner during the year in respect of information security or data protection during 2015/16
- 5.14 There was one complaint to the ombudsman against HDC upheld (out of 13 received).
- 5.15 Business Continuity Plans were further developed in 2015/16 and will be concluded and tested in 2016.
- 5.16 As a result of being given notice to vacate Clover Court the Council's Control Centre relocated to the Police Station in September 2016. The Council's CCTV provision was impacted upon in the second half of the year due to telecommunication issues in redirecting the data feeds to the Police Station. The Council's CCTV provision was fully operable by the end of 2015/16.
- 5.17 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**.
- 5.18 Progress against the areas identified for improvement in the Annual Governance Statement 2013/14 is outlined in **Appendix A**.

Signed

Blake Pain, Leader of the Council

Beverley Jolly, Corporate Director

Simon Riley, Section 151 Officer

APPENDIX A

Appendix A:

Progress on areas identified in 2014/15 Annual Governance Statement for Improvement

| | 2014/15 Recommendation | Responsible Officer & Target Implementation Date | Update |
|---|---|---|---|
| 1 | Complete the Constitutional Review and adopt an updated constitution | <p>Head of Legal and Democratic Services</p> <p>On 30 March 2015 the Council adopted a revised county wide Code of Conduct for members which were implemented in May 2015. The next meeting of the Constitutional review Committee is on 23 July 2015. It is hoped that the review will be completed by 31 December 2015.</p> | <p>The constitutional review committee met regularly throughout 2015/16</p> <p>Full Council on 25th July are requested to approve amendments to the constitution to be operable from 26th July 2016</p> |
| 2 | Refresh the Council's Business Continuity Plans and undertake a scenario test | <p>Corporate Director – Resources</p> <ul style="list-style-type: none"> • Strategic Business Continuity Plans refreshed 2014/15 – Scenario test programmed for 3rd July 2015. <p>Final Service Area Business Recovery Plans to be signed off by 31st December 2015</p> | <p>The Business Continuity Plans were tested on 3rd July 2015</p> <p>Business Continuity plans are being further refined with another full review scheduled for Quarter 4 in 2016/17</p> |

APPENDIX A

Appendix B

Areas identified in 2015/16 Annual Governance Statement for Improvement

| | 2015/16 Recommendation | Responsible Officer & Target Implementation Date |
|---|---|---|
| 1 | Implementation of Audit Recommendations by agreed dates | <p>Corporate Directors and Heads of Service</p> <p>Revised arrangements for tracking and evidencing of audit recommendations are being implemented with regular monitoring through the Governance and Audit Committee.</p> |
| 2 | Test the Council's ICT Disaster Recovery Arrangements Business Continuity Plans and undertake a scenario test | <p>S151 Officer and Service Manager ICT</p> <p>The Council has offsite back-up capacity as well as a Disaster Recovery call off contract. A full invocation test will be undertaken by the end of Quarter 3 of 2016/17</p> <p>Following on from the test of Business Continuity Plans in July 2015 a further Council wide scenario test will be undertaken in Quarter 4 of 2016/17.</p> |