



GA.06 13/14

Governance and Audit  
Committee

27<sup>th</sup> June 2013

**F**

**Subject: Annual Governance Statement and Action Plan**

Report by:

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Contact Officer:

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Purpose / Summary:

To present to members the draft Annual Governance Statement for 2012/13

**RECOMMENDATION(S):**

- 1) That Members provide feedback on the draft Annual Governance Statement to feed into the final statement for approval at the September meeting of Governance and audit**

## **IMPLICATIONS**

### **Legal:**

The Annual Governance Statement must comply with the Accounts and Audit (England) Regulations 2011

### **Financial:**

**None**

### **Staffing:**

**None**

### **Equality and Diversity including Human Rights:**

**None**

### **Risk Assessment:**

Risk management arrangements are part of corporate governance and issues raised under these arrangements have been included in the Annual Governance Statement

### **Climate Related Risks and Opportunities:**

**None**

**Background Papers:**

The following background papers were used in the preparation of this report. If none were used then please state.

Title:	Location of Background Papers:
Internal Audit Annual Report	H:\Audit Reports\Internal
Accounts and Audit (England) Regulations 2011	
CVIPFA Delivering Good Governance in Local Government Framework December 2012	

**Call in and Urgency:**

**Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?**

Yes

No

**Key Decision:**

Yes

No

## **1. Introduction**

- 1.1 The Annual Governance Statement is a formal statement, under the Accounts and Audit (England) Regulations 2011 that details the Council's governance arrangements and issues for the previous year, as an annual report of governance.
- 1.2 The system of corporate governance is the way in which we direct and control our services and functions to ensure that we make the best use of all of resources.
- 1.3 Assurance of governance arrangements involves a process to test the framework and to gain confidence that it is operating as intended and that we are "doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner.
- 1.4 The Council is required to produce an Annual Governance Statement for approval by 30<sup>th</sup> September to accompany the Council's statement of accounts.
- 1.5 The Annual Governance statement includes a summary of the governance framework and identifies those areas where further action is needed to achieve full assurance.

## **2. Developing the Annual Governance Statement**

- 2.1 Sources of information to develop the Statement have been:
  - The development of the framework itself
  - Internal Audit Annual report
  - Internal Audit limited assurance reports
  - The management of risk and corporate risks
  - External Audit Annual Audit Letter
  - Ombudsman investigations
  - Complaints and lessons learnt
  - Consultation results
  - Corporate functions assurance statements – Legal, Health and Safety, ICT, procurement.
  - Service Heads – any service or performance issues, including signed assurance that the internal control and governance assurance framework has been upheld, covering:
    - Review of key controls
    - Budget setting and allocation of resources
    - Performance management
    - Risk Management

- Financial and legal implications.
- The position with actions to achieve assurance from the 2011/12 Annual Governance Statement Action plan.

### 3. The Framework

- 3.1 The Governance Framework follows the six CIPFA principles of good governance and is formed by the systems and processes, standards, policies and activities through which it accounts to, engages with and leads the community.
- 3.2 Under each of the principles we have identified improvements that have taken place during the year, activity to support the principle, any significant issues and actions that will be undertaken to address any issues or to develop the principles further.

### 4. Issues

Issues that continue to be of a concern with regards to good governance to be resolved over the next year are:

1. **Outcomes performance management** – ensuring that our targets, measurements and outcomes in corporate planning measure the difference that we are making and that there are strong links with financial planning.
2. **Partnerships** – to be assured of the governance, in particular risk and performance management of our partnership working and the partners that we work with.
3. **Risk Management** – ensuring that risk management is embedded within the organisation and improves and informs performance, decision-making and resource allocation. This needs to take into account the changes to the organisation. Management of corporate risks should focus on what is of corporate importance to the Council.
4. **Project management** – to be assured that projects are managed in accordance with our project management principles and that these are embedded and integral to how projects are successfully managed and delivered, and that risk and resources are fully taken account of. Robust governance, project management and budget management practices should be applied.
5. **Joint Planning Unit** – to be assured that an action plan is being followed to take the Core Strategy through to adoption and that an amendment to the Local development Scheme is approved by the Lincolnshire Joint Strategic Planning Committee.
6. **Information Governance** –to ensure a clear structure for information governance and monitoring ICT security compliance.
7. Ensuring that **Finance Matters** project delivers appropriate checks and training for managers in financial planning .

These issues will be developed as part of the action plan to be agreed at the next meeting and overseen by the Governance and Audit Committee.

West Lindsey District Council  
Draft - Annual Governance Statement 2012-13

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## 1. Scope of Responsibility

- 1.1. West Lindsey District 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. West Lindsey District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way that its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging its overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3. West Lindsey District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website at ..... or can be obtained from ..... This statement explains how West Lindsey District Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, 4(3), which requires all relevant bodies to prepare an annual governance statement.

## 2. The Purpose of the Governance Framework

- 2.1. The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. 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, aims 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 designed to identify and prioritise the risks to the achievement of the authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at West Lindsey District Council for the year ended 31st March 2013 and up to the date of approval of the annual governance statement and statement of accounts.

### 3. The Governance Framework

3.1. The Council's governance framework circle represents the processes and systems under six core principles that focus on **“delivering outcomes to the place and community, ensuring value for money and probity in decision making”** as follows:

- Engaging with local people and other stakeholders to ensure robust public accountability.
- Focussing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of behaviour and conduct.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.
- Developing the capacity and capability of members and officers to be effective.

## 4. Review of Effectiveness

4.1. West Lindsey has responsibility for conducting an annual review of its governance framework including the system of internal control. The review of effectiveness is informed by:

- The Core Management Team who have responsibility for the development and maintenance of the governance environment and have reviewed arrangements
- The annual report of the Head of Audit and Risk Management from Audit Lincs, the internal auditors
- The Monitoring Officer
- The Section 151 Officer
- Comments from KPMG, the external auditors, and
- Service development and peer reviews.

4.2. Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer.

4.3. CIPFA issued in 2010 a Statement on “The Role of the Chief Financial Officer in Local Government”, and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as follows:

- The Section 151 Officer is a member of the Extended Corporate Management Team and plays a key role in helping it to develop and implement strategy to resource and deliver the Council’s strategic objectives sustainably and in the public interest. This environment has been enhanced by the appointment of a Deputy S151 Officer.
- The Section 151 Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and there is alignment with the Council’s overall financial strategy.
- The Section 151 Officer leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Section 151 Officer leads and directs the finance function, which is resourced to be fit for purpose.
- The Section 151 Officer is professionally qualified and suitably experienced.

4.4. The systems of internal financial control provide reasonable, but not absolute, assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

- 4.5. Internal financial control is based on a framework of management information that includes the Financial, Contract and Procurement Procedure Rules and administration procedures, adequate separation of duties, management supervision, and a system of delegation and accountability.
- 4.6. The Council regularly reviews all its procedure notes and manuals for all key financial systems on a phased basis. The Council has improved its Asset Management Plan, is implementing a revised Capital Strategy and a new Reserves Strategy, in addition to the implementation of an Acquisition and Disposal policy for fixed assets.
- 4.7. The controls created by management are evaluated to ensure:
- Council objectives are being achieved;
  - The economic and efficient use of resources;
  - Compliance with policies, procedures, laws, rules and regulations;
  - The safeguarding of Council assets;
  - The integrity and reliability of information and data.

## 5. Significant Governance Issues

### Principle 1: Engaging with local people and stakeholders to ensure robust public accountability

- 5.1. The Council is accountable to local people and to this end must ensure that decisions that are taken are open and transparent and reflect the needs of our communities.
- 5.2. West Lindsey District Council is committed to developing our role as a community leader, engaging with our communities and building their capacity to take action to achieve community ambitions.

#### Activity to support this:

- 5.3. In order to support this principle, the council:
  - Has regular citizen's panel consultations
  - Reviews customer comments and complaints
  - Develops transparency to make information available on our website
  - Webcasts committee meetings so that people can see the debate and decisions being taken
  - Works through area teams to develop area priorities

#### Improvements during the last year:

- 5.4. During the last year, the council:
  - Held a number of engagement and consultation events including:
    - Citizen Panel surveys including topics such as waste satisfaction, website usage and a Pest Control Service
    - Budget Consultation events with the Citizen Panel including the changes to the Local Council Tax Support Scheme
    - Engagement on the Health and Well-being Strategy
    - Ex Mod Summit bringing the communities together to share experiences
    - Skills Fair bringing students and residents looking for employment, apprenticeships and further education together with those relevant organisations
    - Internal satisfaction surveys which help to improve internal services such as Finance and Procurement.
  - Worked with partners and organisations to deliver on outcomes
  - Developed a Customer Excellence programme, which is looking at the information needs of local people to make sure that we are able to meet them.
  - Has made amendments to the website to improve information and developed our customer care training

#### Issues related to this principle:

- 5.5. Through the review of governance, the following significant issues have been identified in relation to this principle:

- There is limited assurance on income reporting and monitoring to reflect the Council's priority to increase income generation.
- Information governance – to ensure that there is a co-ordinated corporate approach to managing information governance.

There were no cases of maladministration reported by the Local Government Ombudsman

#### Developments for the next year:

5.6. Based on the issues identified, the following actions are planned for 2014/15 to improve governance:

- Further work with communities to address their priorities.
- Ensuring that we learn from complaints
- Develop processes to ensure that monitoring and developing targets for income generation reflect the priority.
- Creating a clear structure and responsibilities for information governance

**Principle 2: Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

5.7. The authority has a clear vision for the district, focussing on making west Lindsey a place where people want to live, work and visit.

5.8. By focussing on priorities to be able to achieve this vision, we can make sure that we make the best use of the resources that are available to our partners and us.

**Activity to support this:**

5.9. In order to support this principle, the council:

- Develops a Corporate Plan and refreshes it annually
- Undertakes service reviews
- Undertakes regular horizon scanning

**Improvements during the last year:**

5.10. During the last year, the council:

- Refreshed the Corporate Plan, focussing on five themes of:
  - Active, healthy and safe communities
  - A green district
  - A prosperous district
  - An entrepreneurial council
  - Accessible and commented communities
- Set clear outcomes for our delivery boards
- Undertook seven In Depth Business Reviews to challenge service delivery

**Issues related to this principle:**

5.11. Through the review of governance, the following significant issues have been identified in relation to this principle:

- Targets, measurements and outcomes in corporate planning need further focus so that we can measure the difference that we are making.
- Stronger links must be made with financial planning, particularly linked to sustainable funding and a resilient local authority.
- Further work is required on the performance management framework

**Developments for the next year:**

5.12. Based on the issues identified, the following actions are planned for 2014/15 to improve governance:

- The annual Corporate Plan refresh will reflect the current issues and ensure that targets and outcomes are measured.
- Accountability for the delivery of the plan will be strengthened.
- Service reviews will be focussed on the delivery of our priorities.
- Measures and targets will be linked to service plans, team focus and performance management.



**Principle 3: Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

5.13. To be able to focus on the aims of the authority, it is vital that the roles of officers and members are defined and understood, so that we can work together in a constructive working relationship.

5.14. The council's constitution, standing orders and financial regulations set out how the council operates, how and where decisions are made and the procedures that are followed, to make sure that there is a proper accountability.

**Activity to support this principle:**

5.15. In order to support this principle, the council:

- Have regular meetings with committee chairs and vice chairs and the management teams, to ensure there is a culture and relationship of working together to meet the needs of the district.
- The Monitoring Officer is responsible for making sure that agreed procedures are followed and for giving advice to members and officers on roles and responsibilities.
- The Section 151 officer is responsible for making sure that appropriate advice is given on financial matters and for keeping proper records and maintaining an effective system of internal financial control.
- Undertakes member and officer Task and Finish groups to better understand key subject areas and move forward improvement

**Improvements during the last year:**

5.16. During the last year, the council:

- Reviewed the constitution to make sure that it is fit for purpose.
- Put in place protocols make sure that members and officers understand their different roles and how these work together.
- Worked in an area approach to allow a relationship to be built with our communities and key partners to focus on the issues of communities.
- Undertook Task and finish groups of members and officers working together on specific issues.
- Developed Member and officer development plans to make the most of the skills in the organisation.
- Held a member forum to discuss current issues
- Developed job descriptions and competency skills for the leader and chairmen.
- Received Internal audit reports that were considered by the Core Management Team and Audit Committee which tracked progress with agreed actions

**Issues related to this principle:**

5.17. Through the review of governance, the following significant issues have been identified in relation to this principle:

- Further work is required on defining the role of officer and members in policy and project development.

**Developments for the next year:**

5.18. Based on the issues identified, the following actions are planned for 2014/15 to improve governance:

- Further development of task and finish groups
- Ensure support for member champions.
- Meet the training and development needs identified.

**Principle 4: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

5.19. It is vital that local people, organisations and partners have confidence that the authority has high standards of conduct and ethics and a reputation that people value.

**Activity to support this principle:**

5.20. In order to support this principle, the council:

- Have adopted standards and a code of conduct for members and officers.
- Have a Standards Sub-Committee, which is chaired by an independent member, promotes ethics and gives guidance on good governance.
- Have a published register of interests and of any gifts and hospitality received and procedures for dealing with any conflicts of interest.
- Provide training for new members and staff includes the standard of behaviour expected and anti-fraud and corruption procedures.
- Have a whistle-blowing policy.

**Improvements during the last year:**

5.21. During the last year, the council:

- Have adopted the code for members that was recommended by the Local Government Association
- Introduced the process whereby managers have been asked to make a statement as to their fulfilment of corporate responsibilities to uphold internal controls and governance.

**Issues relating to this principle:**

5.22. Through the review of governance, the following significant issues have been identified in relation to this principle:

- Our standards and ethics must be shared by the partners and organisations that we work with and we must be assured that this is the case.
- There needs to be governance policies and procedures in place and it is vital that these are adhered to provide the right level of assurance.

**Developments for the next year:**

5.23. Based on the issues identified, the following actions are planned for 2014/15 to improve governance:

- Further awareness- raising with members, staff and partners of expected standards and ethics.
- Agree and demonstrate a set of shared values against which decision making and actions can be judged.
- Ensure that values of good governance are included in any partnership activity and agreements.
- Develop a good level of assurance that the governance policies and procedures are being adhered to.

**Principle 5: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risks.**

5.24. It is vital that the decisions that we make are informed and transparent so that local people and partners have confidence in the decision making process.

5.25. Particularly in times of limited resources, we must use risk management to develop the priorities and be able to focus on those issues that may prevent us achieving our aims and priorities.

**Activity to Support this principle:**

5.26. In order to support this principle:

- There is a Corporate Plan delivery board, which oversees the delivery of the key programmes and projects.
- The Challenge and Improvement Committee works through time limited task and finish groups, reviewing the outcomes of decisions. This allows members who have not been part of the decision making process to add value and information.
- Our committee and council meetings are held in the evening to allow local people to attend and all meetings are webcast for local people to watch the debate and decisions being made on the website.
- We have a good working relationship with our internal audit partners and carry out an annual review of the effectiveness of the arrangements.
- We comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- Our Corporate Plan focusses on the strategic risks facing the authority to include actions needed to manage those risks to an acceptable level as discussed by the leaders panel.

**Improvements during the last year:**

5.27. During the last year:

- The Core Management Team have approved a revised Risk Management Strategy that makes it explicit where the responsibility for managing risks lies.
- Training on risk management has been delivered to service and project managers.
- Our Challenge and Improvement Committee have looked at :
  - New ways of working.
  - Paperless working, saving a minimum £60k - £70k in printing, paper, envelopes, postage & officer time.
  - Renewable energy and created a statement of the Council's aims through The Renewable Energy Task and Finish Group,
  - Improvements in Planning Enforcement.

- Improved Broadband,
- New legislation, reforms, changes to benefits and housing regimes
- Countering increasing incidents of dog fouling, littering and fly tipping
- We have been working to refine our project management guidance to simplify the process and help to embed the principles across the organisation. Project management training and guidance has been provided to key staff
- We have worked with Internal Audit to strengthen the process including more detailed scopes for audits in the plan and stronger ownership by the Core Management Team.

**Issues relating to this principle:**

5.28. Through the review of governance, the following significant issues have been identified in relation to this principle:

- The management of risk has been given limited assurance as although there are processes in place, this is not embedded throughout the organisation.
- The progress of the Joint Planning Unit, of which we are partners, is of concern.
- Limited Assurance has been given in relation to the partnership arrangements for the financial management system.
- Management of projects has also been given limited assurance as there is evidence that not all projects are being managed effectively and there is uncertainty and lack of clear documentation on the delivery of major schemes.
- Limited assurance has been given to areas affecting financial management.
- Effective data is needed to ensure sound budget income projections
- The ICT Infrastructure audit identified a number of improvements to be made following the significant changes made this year
- The Information Governance audit received limited assurance and identified the need for a more coordinated approach to be developed

**Developments for the next year:**

5.29. Based on the issues identified, the following actions are planned for 2014/15 to improve governance:

- Further work to embed risk management and ensure that we focus on the risks in planning, projects and performance management will take place.
- We will make sure that we gain assurance on the delivery of the Core Strategy and risk management arrangements by the Joint Planning Unit as a member of the Governance Board.
- Formalise the partnership arrangement for the financial management system and NNDR.
- Work with members to make sure that their information needs are met to be able to make effective decisions.
- Developing a more formal scrutiny arm.
- Learning lessons from the audit of investment decisions and the implementation of plans to ensure that there is full information for decision making.
- Ensure that appropriate checks are in place and the Finance Matters project implemented.

- Development of income generation policies.
- Ensure that appropriate governance arrangements are in place for the councils portfolio of projects
- Strengthen the coordination of information governance arrangement
- Resolve the agreed actions from the ICT Infrastructure audit.

**Principle 6: Developing the capacity and capability of members and officers to be effective.**

5.30. Efficient and effective services depend on members and officers having the right skills, experience, knowledge and resources to perform the right roles and meet the needs of modern local government.

**Activity to Support this principle:**

5.31. In order to support this principle, the council:

- Members and officers are given full opportunity to identify, against a set of competencies, the development and skills that they need to perform effectively.
- Members can only be members of the planning, regulatory and Governance and audit committees where they have received the necessary training.
- Through work on the task and finish groups, independent members on standards subcommittee and governance and audit committee, we encourage local people to get involved and add to the skills of the organisation.

**Improvements during the last year:**

5.32. During the last year, the council:

- Members have had personal development reviews against the skills required, to identify areas for further training and development and training is tailored to meet individual needs.
- Our member forum has developed information on the needs of developing local leadership and building community capacity.
- We have developed our management competencies through codes of practice and have a programme for ensuring that appraisals are carried out across the organisation.
- Work with local communities on an area basis aims to encourage local participation and local leadership.

**Issues relating to this principle:**

5.33. Through the review of governance, the following significant issues have been identified in relation to this principle:

- Internal audit have identified that managers are not confident in financial planning for their service areas.
- Capabilities around business case development and project management need further development

**Developments for the next year:**

5.34. Based on the issues identified, the following actions are planned for 2014/15 to improve governance:



- Develop and deliver training for managers on financial management and budgeting (part of finance matters project) linked to management competency and appraisals.

## 6. Combined Assurance – Critical Areas

6.1. Combined assurance report still to be finalised to feed into the findings of the Annual Governance Statement.

6.2. Those critical areas that are deemed to be `red' so far are:

- Partnership Management
- Property and Estate Management
- Rents
- Ground Maintenance
- Land Charges and Searches
- Risk Management
- Project Management
- Progress and Success Measures

## 7. Top Strategic Risks

- Financial sustainability and Government funding
- Delivery of priorities in partnership
- Capital Expenditure Slippage
- Information Governance
- Transformation
- Joint Planning Unit
- Falling National and Local Economy
- Capability and capacity of communities to meet their local needs
- Leadership capability of members
- Welfare Reform