

## AUDIT COMMITTEE – 21 SEPTEMBER 2012

### ANNUAL GOVERNANCE STATEMENT – 2011/12

#### 1.0 INTRODUCTION

- 1.1 As prescribed by the Account and Audit Regulations 2011, the Council is required to produce an Annual Governance Statement (AGS) following an assessment of its governance arrangements.
- 1.2 The Leader of the Council and the Head of Paid Services (Chief Executive) are required to sign the AGS and be satisfied that the document is supported by reliable evidence. It is published with the Statement of Accounts and will be reviewed by the External Auditor.

#### 2.0 THE ANNUAL GOVERNANCE STATEMENT (AGS)

- 2.1 The Statement seeks to demonstrate that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. There is a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In compiling the Statement, the Council has regard to its Internal Control arrangements including the outcomes of the annual Good Governance Review, review of annual assurance statements provided by Senior Management, risk registers, external reports from the Audit Commission and other management arrangements. It further considers the process applied in maintaining and reviewing the governance framework including the authority, executive, audit/scrutiny committees and other assurance mechanisms.
- 2.3 Whilst the Council maintains high standards of governance and internal control some areas for improvement have been identified by the review process mentioned above, these have been reported in the AGS. An Action Plan has been developed accordingly and this will be monitored by, and subject to a biannual progress report to, the Council's Executive Management Team and Audit Committee.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial consequences arising directly from this report.

#### 4. EQUALITIES & DIVERSITY AND ENVIRONMENTAL MATTERS

- 4.1 There are no equalities & diversity or environmental matters associated with this report.

#### 5.0 CRIME & DISORDER IMPLICATIONS

- 5.1 There are no crime and disorder issues arising directly from this report.

#### 6.0 CONCLUSIONS

- 6.1 The Annual Governance Statement reports that the Council has sound levels of internal control, good governance arrangements.
- 6.2 The statement does identify some areas for improvement and these will be managed by the Council's Executive Management Team.

## 7.0 RECOMMENDATIONS

- 7.1 That the Audit Committee approve the Annual Governance Statement for the Financial Year ended 31<sup>st</sup> March 2012 as reported in Appendix 1.

### *For Further Information Contact*

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### *Background Papers*

New Code of Good Governance – 23/3/08

**ANNUAL GOVERNANCE STATEMENT 2011/12****Scope of Responsibility:**

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the Governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a code of good governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code can be found on our website: <http://www.newforest.gov.uk/committeedocs/sc/CDR03688.pdf>. This statement explains how New Forest District Council has complied with the code and also meets the requirements of regulation 4 (3) of the Accounts & Audit Regulations 2011 in relation to the publication of a statement of corporate governance.

**The Purpose of the Governance Framework:**

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

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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at New Forest District Council for the year ended 31 March 2012 and up to the date of approval.

**The Governance Framework:**

The Local Code of Corporate Governance describes the Council's governance framework in relation to the six core principles below and demonstrates how it complies with these:

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

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. The Council's overarching vision and strategy for the year 2011/12 was contained in the Corporate Plan "Leading Our Forest Communities" which sets out what the Council aims to achieve for the period 2008/2012. <http://www.newforest.gov.uk/committeedocs/cab/CDR03706.pdf> . During the 2011/12 financial year, the Council worked on a new corporate plan "Delivering for our Communities 2012-2016", where new priorities and values have been set out. This plan comes into effect from 1<sup>st</sup> April 2012.

The Council has in place service action plans to deliver each of the aims of the Corporate Plan, for which responsibility is with the Heads of Service to deliver with their teams. The Executive Management Team oversees the performance and progress made against each plan.

The quality of service delivery is checked with users through regular consultation initiatives. Outputs from consultation are used to inform future service delivery.

The Council has Medium Term Financial Plan (MTFP) which currently covers the period 2011/14. This plan sets out the Council's spending plans by each Portfolio, on a rolling basis.

The Council has also developed over the years a number of successful joint or collaborative working arrangements with the public and other agencies. This has continued into 2011/12, for example, with joint working and assets sharing arrangements at the Ringwood Gateway and with new management arrangements at Dibden Golf Course.

From May 2011, the Council's elected Leader had authority not only to appoint the Portfolio Holders (or Executive Members) but also the number and content of their portfolios. Prior to May 2011, the latter task was for Council to decide. The Council appoints a number of committees to discharge its regulatory and statutory responsibility. An effective, independent and separate review function was maintained by the Standards Committee who together with the Final Accounts Committee enacted the role of an Audit Committee. During the financial year 2011/12, the Council considered the structure and Terms of Reference of a new Audit Committee with a change approved by Council in June 2012.

The Council's Constitution sets out the roles, responsibilities and relationships between Council, the Executive (Cabinet), Standards and other committees in respect of policy and decision-making processes. It ensures that there is a clear and properly defined process for decision-making and also states where the responsibility for decision-making lies. Following the elections in May 2011, the Overview Panel structure was reviewed and changed to strengthen the scrutiny function.

The Council supports a culture of behaviour based on its Statement of Values. This guides how members and officers behave in their day to day work.

The Council has well established procedures to ensure that policy and regulation are adhered to; this includes, monitoring and compliance roles (embedded within the responsibilities of both the Council's Monitoring Officer and Section 151 Officer), there are policies in place surrounding Financial Regulations & Standing Orders, Service Action Planning, professional training and Internal and External audit opinions on governance arrangements.

During the year the following policies and procedures were reviewed and updated; Complaints Procedure, Whistleblowing Policy and the Anti Fraud & Corruption policy which now incorporates the Bribery Act which was an action arising from last years governance review. A separate team has also been reviewing the Councils procurement processes and paperwork, which will also result in new Standing Orders as to Contracts procedures and policy.

There has also been development within the financial year 2011/12 on performance management systems to support the Service Action planning process.

The compliance review has identified that Financial Regulations have not been updated for a period of time and should now be subject to review.

Policy and decision making are facilitated by a framework of delegations set out in the Council's Constitution. This sets out, among other things, where responsibility lies for developing and delivering policy, for taking decisions and extensive delegations to officers.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes. The governance review identified that the Risk Management Framework and reporting to Audit Committee should be reviewed.

### **Continuous Improvement:**

In line with the continuous improvement culture of the Council the Performance Management framework ensures strategic monitoring with a focus on national indicators and the achievement of both the Corporate and Portfolio Plans. Performance indicators have been reviewed during the year. As a result of the current economic downturn, workstreams were developed to establish a savings and efficiency plan for all services to meet the challenge of significant reductions in public spending.

The Council continues to manage and use its resources well to deliver value for money and better and sustainable outcomes for local people. This is evidenced by the Audit Commission's annual assessments, which recognises the many successes and improvements the Council has delivered for local people.

### **Review of Effectiveness:**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

The roles of the Council's Executive (Cabinet), Standards and Final Accounts Committee and Internal Audit are explicit in maintaining the effectiveness of the governance framework:

An Executive Director has Section 151 responsibilities (Chief Finance Officer). The Head of Legal and Democratic Services is the Monitoring Officer. All committee reports are reviewed by members of the Executive Management Team, which includes the Executive Directors as well as being provided to the Head of Legal and Democratic, prior to any decisions being made. This safeguards the Council to ensure legal decisions are taken and that decisions consider the Councils' corporate priorities and risks.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council's Standards and Final Accounts Committees were trained in their responsibilities and in line with the Annual Governance Statement have raised the awareness of the need for good internal control, reinforced the importance of internal and external audit and provided additional

assurance through a process of independent and objective review. The Audit Committee has an agreed work plan and training plan to ensure all new member training needs are met.

The Audit Committee has specific responsibility for monitoring corporate governance within the Authority and for all matters relating to the conduct of Members in carrying out their duties.

The Council's arrangements for financial management and reporting are sound and are well documented. All proposals for expenditure and income are supported by a business case that includes links to the Corporate Plans; these are scrutinised initially by the service Portfolio Holder prior to inclusion as a formal bid to Cabinet and the Council. The planning process also includes a review of proposals by the relevant Scrutiny Panels, before final proposals and the council tax levels are considered and approved by the Council each year.

Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, Final Accounts Committee and the Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. In addition, each service has up to two scrutiny panel members who have responsibility to monitor on a more detailed level, the performance of each service.

Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Executive Director's responsibilities, to maintain proper control over the Council's financial affairs as defined by Section 151 of the Local Government Act 1972, are fully met. Internal Audit reviews its Strategic Plan from which an annual risk based Operational Plan is developed. The plan having been developed in consultation with all Heads of Service is approved by the Council's Section 151 Officer and ratified by both the Executive Management Team and Audit Committee. The internal audit service consistently meets all required professional standards.

Internal Audit's annual report, reported; "Having considered the findings from the work undertaken by Internal Audit during 2011/12, the Council's overall internal control system is considered to be adequate to safeguard the Council from losses arising from fraud, error or inefficient administration".

The Audit Commission acts as the Council's external auditor and is responsible for reviewing and reporting on the Statement of Accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources.

**Significant Governance Issues:**

There were no significant issues arising from the 2010/11 review.

There were a number of significant projects recorded in the 2010/11 AGS, all of which have been kept under constant management review. The Workstreams project will continue following the ongoing pressures from the economic climate, performance management of the Workstreams is embedded into formal reports.

The 2011/12 governance review did however identify the follow areas which require action:

Area	Comment and Responsible Officer
Partnerships	To update the partnership register following the changes made during the year and ensure risks are evaluated and managed accordingly.  Responsible Officer - Executive Director (S151)
Risk Management	To update the Corporate Risk Register and present to the Audit Committee for consideration on a regular basis. Consider opportunities to further embed risk management across the Council

	Responsible Officer - Performance Improvement Manager
Financial Regulations policy	To review and update Financial Regulations Responsible Officer - Executive Director (S151)
Business Continuity	To test the Business Continuity Plan Responsible Officer – Head of Public Health and Community Safety

The action plan will be subject to biannual review by the Executive Management Team.

The Council does have further projects relating to key priorities for the 2012/13 financial year which includes the provision of affordable housing, these areas will be kept under close review by EMT throughout the year.

**CERTIFICATION**

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31<sup>st</sup> March 2012 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

*Signed:*

*Signed:*

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**Leader of the Council**

**Chief Executive**

*Date:*

*Date:*

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