

ANNUAL GOVERNANCE STATEMENT 2018/19

Introduction

1. This is Charnwood Borough Council's Annual Governance Statement for 2018/19. It provides:
 - An acknowledgement of responsibility for the Council's system of governance;
 - A summary of the assessment of the effectiveness of the Council's governance arrangements;
 - An opinion on the level of assurance that the Council's governance arrangements can provide;
 - An action plan for 2019/20;
 - A summary of progress against actions raised in the previous year's Annual Governance Statement;
 - A statement on conformance with CIPFA's Statement on the Role of the Chief Finance Officer;
 - A conclusion.
2. The Annual Governance Statement will be published on the Council's website as part of the Council's statement of accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015 and is compliant with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government 2016 Edition (the Framework).

Responsibility for The Governance Framework

3. Charnwood Borough 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. The Council also 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.
4. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
5. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework (2016).

Review of The Effectiveness of The Governance Framework

6. 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 senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual Internal Audit report, and by comments made by the external auditors and other review agencies and inspectorates.
7. A summary of the Council's governance framework is set out in the Annex to this statement. The Council considers that its corporate governance arrangements are effective and support the delivery of the principles of good governance.
8. The Council's statutory officers consist of the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Strategic Support), and the s.151 Officer (Strategic Director – Corporate Services). These officers fulfil the required statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly.
9. The Council's Internal Audit service operates according to an annual audit programme which is developed using a risk-based approach designed to ensure that key financial systems and significant Council services are audited at appropriate frequencies so that sufficient assurance on adequacy of the internal control environment and risk management arrangements can be provided.
10. The Council's chief audit executive has produced an annual report for 2018/19 which concluded that based upon the work undertaken by Internal Audit during the year, moderate assurance can be given that the Council's overall framework of governance, risk management and internal control is adequate and effective.
11. Internal Audit identified no areas of limited assurance during the year.
12. The s151 officer has undertaken a review of the effectiveness of the Council's system of internal control, as required by the Accounts and Audit Regulations 2015. Section 3 of the Regulations state that:

A relevant authority must ensure that it has a sound system of internal control which—

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

Section 6 of the Regulations requires that:

A relevant authority must, each financial year; (a) conduct a review of the effectiveness of the system of internal control required by regulation 3.

13. In conducting his review the s151 officer observed the following matters:
- The Council has an extant Corporate Plan and Business Plan, together with other supporting strategies and policies that provide direction and guidance to the effective exercise of its functions and fulfilment of its objectives
 - The Council has well established governance arrangements and protocols that ensure that there is adequate oversight over decision making and that decisions are supported by appropriate legal and financial clearances;
 - Controls over decision making are balanced with use of delegations to ensure that decision making is at the right level and not overly centralised, and can be conducted on a timely basis
 - Financial management of the Council is based on the Financial Regulations and Financial Procedure rules that cover procurement and expenditure matters; these rules are reviewed regularly and overseen by an experienced and well qualified team
 - Financial management and control processes are also underpinned by the internal audit function and the role of Members through the Cabinet, Committee and Scrutiny processes
 - Although the Council has enough budget and staffing establishment to support an adequate and effective internal audit service, staff turnover during the year has led to delays in delivering the agreed internal audit plan. Whilst additional external support has been procured to assist in delivering the internal audit service, there are some planned audits for 2018/19 which will have to be completed in financial year 2019/20, and an allowance has been made for that within the 2019/20 audit plan. Potential alternative options have been investigated to improve the future resilience of internal audit resourcing, and discussions are currently underway to establish a potential shared internal audit service with two other authorities in Leicestershire
 - Risk management processes are recorded and managed both at Member level, through the auspices of Cabinet and the Audit Committee, and amongst senior officers through the regular Corporate Management Team risk management workshops
 - A revised strategic risk register was approved in December 2018 following a review of the Council's risk management framework based on best practice
 - Generally, in the opinion of the s151 officer the Council member and officer groups, have sufficient independence, experience, capability, capacity and qualifications to ensure that segregation of duties exist, that decisions are adequately supported and robustly challenged
14. Based on his review, the s151 officer has concluded that overall the Council's system of internal control is effective.
15. Senior managers, and the Audit Committee and Performance Scrutiny Panel are responsible for receiving and considering regular monitoring reports in respect of the risk management framework, the performance management framework, and the work of Internal Audit. The Audit Committee also receive and consider any reports arising from the work of the external auditors.

16. These arrangements and processes ensure that the Council's corporate governance and internal control arrangements are kept under regular and ongoing review throughout each financial year.
17. Additionally, as part of the process to produce the Annual Governance Statement, a comprehensive review of all sources of evidence, including external review, audit and inspection work undertaken during the year, has been undertaken.
18. The annual audit letter issued by KPMG LLP for 2017/18 did not identify any significant internal control issues.

Assurance Opinion

19. The Council considers that overall the governance arrangements in place during 2018/19 provided a significant level of assurance and continue to be fit for purpose.

Action Plan For 2019/20

20. The following action has been identified for 2019/20:
 - Improve resilience arrangements for the resourcing of the internal audit function, potentially by entering into a shared service arrangement with other authorities in Leicestershire.

Progress Against Actions Raised in the Previous Year's Annual Governance Statement

21. The table below summarises progress against the actions in the 2017/18 Annual Governance Statement:

Identified Action	Summary of Progress
Produce and implement an action plan to address the recommendations arising from the LGA peer challenge	<p>The action plan to address the recommendations arising from the Peer challenge was prepared in June 2018. Significant progress has been made.</p> <p>The Council prepared a transformation and efficiency plan as an integral part of its Medium-Term Financial Strategy to further unlock efficiencies and drive service improvements.</p> <p>Changes were made to broaden the Council's Treasury Strategy. This enabled investment into Property</p>

	<p>Funds which improved the financial returns to the Council.</p> <p>A fresh approach to the development of the strategic risk register was implemented based upon best practice. A new strategic risk register was approved by the Cabinet in December 2018.</p> <p>Also, during 2018 the Council's governance structure was reviewed and a new scrutiny structure was approved by the Council in February 2019 for implementation from the commencement of the new civic year.</p> <p>Significant progress has also made in developing the Council's sub regional vision. In July 2018 the Council, along with other neighbouring District Councils, declared its intention to develop collaborative working models and that work is progressing.</p> <p>Work is in hand to prepare for the Councils next corporate plan and to introduce a further round of business transformation through a transformation programme building on the changes already implemented through the two previous Customer Service programmes which commenced in 2013.</p>
<p>Produce and implement an action plan to address the recommendations arising from the CfPS scrutiny review</p>	<p>The recommendations made have all been considered and appropriate steps taken to implement them. Most significantly, the Council reviewed its scrutiny committee structure during 2018/19, and a new structure has been implemented with effect for the 2019/20 civic year</p>

Conformance with The Governance Requirements of The CIPFA Statement on The Role of The Chief Finance Officer

- 22. The Chief Financial Officer of the Council is the Strategic Director of Corporate Services. This role is one of four that comprise the Council's senior management team and reports directly to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material

business decisions to be given due weight.

23. The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight are facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The efficacy of the control environment can be evidenced through the Council's recent history of financial outturns, and the timeliness and quality of its financial statements and other financial returns.
24. The Chief Financial Officer is the Council's Section 151 Officer (from section 151, Local Government Act 1972) and in accordance with the statutory requirements covering this role has an appropriate accountancy qualification, being a member of the Institute of Chartered Accountants in England and Wales. The Deputy Section 151 Officer (who is the Council's Head of Finance and Property) is a member of the Chartered Institute of Public Finance and Accountancy. Both have significant experience in local government. In the view of the Chief Financial Officer, the Council's finance function is considered adequately resourced and contains a mix of staff with appropriate levels of professional qualifications and experience.
25. In the opinion of the Chief Financial Officer the authority's financial management arrangements conform with the requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*.

Conclusion

26. The Council is committed to the principles of sound and effective governance and will continue to monitor implementation as part of the next annual review.

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Geoff Parker
Chief Executive

Date:

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Councillor Jonathan Morgan
Leader of the Council

Date:

Summary of Charnwood Borough Council's Governance Framework Arrangements

The key elements of the Council's governance framework are as follows: -

- ◆ The Council's objectives are set out in the Corporate Plan and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet, Scrutiny committees and officers.
- ◆ A rigorous and robust annual service delivery and team planning process is in place that includes consultation with service users where appropriate, and which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.
- ◆ Policies determined during the financial year are approved by Council or Cabinet as appropriate following thorough consultation with key stakeholders and the local community where appropriate.
- ◆ A corporate complaints procedure is in operation and is appropriately publicised via the Council's website and other means. All complaints are investigated and corrective action taken to improve processes and procedures where appropriate. The complaints procedure has been subjected a scrutiny review, and recommendations for improvements have been implemented.
- ◆ A sound system of internal controls is in place to ensure value for money is obtained and that funds and resources are used appropriately. This includes detailed Financial Regulations, and supporting Financial Procedures, which are reviewed and updated periodically.
- ◆ The Council's constitution sets out the terms of reference for all member committees, including executive and decision-making functions, and the scrutiny function.
- ◆ A member/officer protocol is in place which sets out the expectations and processes that are in place to ensure effective and constructive working relationships.
- ◆ A scheme of delegation has been approved and is regularly updated, which clearly sets out which responsibilities have been delegated to officers, and how these delegations should operate and be recorded.
- ◆ Codes of conduct are in place for members and officers, which clearly specify the required standards of conduct and behaviour, and which require the declaration of any personal interests which may conflict with the interests of the Council.
- ◆ Registers are maintained to record any declarations of interest made by members or officers.

- ◆ A 'whistle-blowing' policy is in place for any members, officers or other parties to report suspicions of fraud or other irregularities, and all such reported instances are investigated thoroughly.
- ◆ A Member Conduct Committee is in place to oversee the process for any allegations relating to the behaviour or conduct of members.
- ◆ A Code of Corporate Governance is in place which sets out the Council's approach towards, and requirements for achieving good corporate governance.
- ◆ All Cabinet reports recommending decisions include details of any relevant financial and legal implications and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.
- ◆ A scrutiny function is in place which has the right to call-in any executive decisions for comment and challenge.
- ◆ A risk management framework has been established under which strategic risks which may cause the Council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing are identified on an annual basis, are approved by Cabinet, and subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Lower level operational risks are identified by the annual service delivery planning process and are monitored on an ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.
- ◆ A regular personal review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.
- ◆ A Member Development Strategy has been approved and there is an ongoing programme of training courses for councillors. An intensive induction programme is in place for new councillors.
- ◆ Thorough and rigorous recruitment and selection processes for officers are in place, and workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.
- ◆ The scrutiny function consists of a Scrutiny Commission, three directorate-based Scrutiny Committees, and a Scrutiny Call-in Committee. Other scrutiny panels are set up to examine issues on a task and finish basis.
- ◆ The Audit Committee has responsibility for overseeing the production of the annual statement of accounts, and for the work of Internal Audit. The committee aims to fulfil the core functions of an audit committee as recommended by the Chartered Institute of Public Finance & Accountancy and is chaired by an independent person who has appropriate experience and qualifications.

- ◆ The Council has an Internal Audit function which operates in accordance with appropriate requirements and guidance, and which is responsible for providing assurance on the adequacy of internal control and risk management arrangements.
- ◆ The Council has identified all of its significant partnerships and has undertaken a risk assessment for all of these partnerships, including ensuring appropriate governance arrangements are in place.
- ◆ Appropriate employment policies and procedures are in place to ensure responsibilities to staff are met and that employment legislation is complied with. These include disciplinary and capability policies.
- ◆ Appropriate mechanisms are in place to measure quality of service to users, including use of the 'Govmetric' satisfaction monitoring tool for all major access channels.
- ◆ Compliance with internal policies and procedures is ensured by various means, including management checks and the work of Internal Audit.