

# **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-004-2016/17**

**Date of meeting: 27 June 2016**

**Portfolio: Governance and Development Management**

**Subject: Annual Governance Statement 2015/16**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services Officer: Gary Woodhall (01992 564470).**

## **Recommendations/Decisions Required:**

**(1) That the Committee be requested to consider, comment upon and approve the draft Governance Statement for 2015/16.**

## **Executive Summary:**

The Council's Statutory Statement of Accounts have been prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). The arrangements are designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements need to be improved.

## **Reasons for Proposed Decision:**

To provide the Committee with the opportunity to scrutinise the draft Governance Statement.

## **Other Options for Action:**

No other options.

## **Report:**

1. The Council's Statutory Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). In accordance with good practice the governance statement has included the following information:

- (a) an acknowledgement of responsibility for ensuring there is a sound system of governance;
- (b) an indication of the level of assurance that the systems and processes that comprise the Authority's governance can provide;
- (c) a brief description of the key elements of the governance framework, including reference to group or partnership activities where those activities are significant;
- (d) a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements; and

(e) an outline of the actions taken, or proposed, to deal with significant governance Issues.

2. The production of an AGS enables the Authority to use the review process positively and proactively to deliver assurance about governance arrangements within the Authority to stakeholders, and to develop better arrangements where the review finds areas in need of improvement. The process involves a comparison of achievements against the principles set out in the Authority's Local Code of Governance, and supports an intention and commitment to provide good governance.

3. The Annual Governance Statement is the product of an annual review by the Authority, of the effectiveness of the Council's governance arrangements. This includes an assessment of the effectiveness of its internal control arrangements. The AGS is published with the Statement of Accounts.

4. The AGS is derived partly from detailed reviews by all Service Directors of the effectiveness of the governance arrangements operating within their Directorate, by reference to a detailed checklist incorporating the key elements within the Local Code of Governance. As part of this process Directors have considered available evidence to demonstrate that these governance systems and processes are working effectively and as intended. All Directors have provided assurance statements indicating the level of assurance that can be placed on the effectiveness of key controls operating at service level. These statements are intended to be a balanced representation of the arrangements in place during the year, and to highlight those areas where improvement is required. Significant issues are commented upon in the Governance Statement.

5. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls, and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, drawing attention to any issues that are relevant to the preparation of the Governance Statement. The annual audit report for 2015/16 is included on the agenda for this meeting, and includes an opinion that satisfactory assurance can be given regarding the adequacy of the Council's internal control system in 2015/16.

**Resource Implications:**

From existing resources.

**Legal and Governance Implications:**

Completion and approval of the Annual Governance Statement is required by the Accounts and Audit (England) Regulations 2015.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Governance Group and Service Directors.

**Background Papers:**

The following papers referred to in the preparation of the report are not attached as appendices but are available for public or Councillor study:

Accounts and Audit (England) Regulations 2011

Delivering Good Governance in Local Government (Framework and Guidance Note for English Authorities) CIPFA/SOLACE

**Risk Management:**

The preparation of the Annual Governance Statement is a key part of the Council's governance arrangements in demonstrating that there is a continuous review of the Council's internal control and risk management systems.

# Due Regard Record

This page shows which groups of people are affected by the subject of this report. It sets out how they are affected and how any unlawful discrimination they experience can be eliminated. It also includes information about how access to the service(s) subject to this report can be improved for the different groups of people; and how they can be assisted to understand each other better as a result of the subject of this report. S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
27/6/16 Chief Internal Auditor	The report is a review of the Governance arrangements within the Council and has no equality implications.

# EPPING FOREST DISTRICT COUNCIL

## Annual Governance Statement 2015-16

### 1. Scope of responsibility

Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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.

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, including arrangements for the management of risk.

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at [www.eppingforestdc.gov.uk](http://www.eppingforestdc.gov.uk). This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2015, in relation to the publication of a Statement on Internal Control.

### 2. The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council 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.

The system of internal control is a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks 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 Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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 (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following core principles.

- (i) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- (iii) Promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour.
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and management of risk.
- (v) Developing the capacity and capability of Members and officers to be effective.
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2016 and up to the date of approval of this Statement and the Statement of Accounts.

<b>The Governance Framework</b>	
	The key elements of the Council's governance arrangements for 2015/16 were:
1	The corporate plan covering 2015-2020, setting out the Council's priorities and defining the goals to be achieved
2	The Constitution, which is revised each year: <ul style="list-style-type: none"> <li>2.1 sets out the Council's decision-making framework;</li> <li>2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer);</li> <li>2.3 includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and</li> <li>2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.</li> </ul>
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee
6	An Audit and Governance Committee
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer, Director of Communities and the Chief Internal Auditor, meeting monthly
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations
11	A Medium Term Financial Strategy which informs service planning and budget setting,
12	A compliments and complaints procedure

13	A risk-based approach to internal audit, emphasising the need for sound control and good value
14	A robust whistle blowing policy and process along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti-money laundering policies.

### 3. Review of effectiveness

The Council is responsible 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 various sources noted below.

Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively. For the first time, these were completed by the Directors in conjunction with their Assistant Directors;

Documentary evidence of processes, procedures and standards:

Creation of a Corporate Fraud Team from 1 April 2015, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.

The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of full, substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems;

The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;

Significant governance issues from previous years and from 2015/16.

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, who monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table one below.

**Table One: Progress on significant governance issues identified in the 2014/15 AGS**

No.	Significant issue identified in 14/15 AGS	Action taken in 15/16 to address the issue
1	<b>Car Parking Income</b> In 2013/14 it was reported in the Annual Governance Statement that as part of an internal audit review of the contracted service it was identified that there were limitations in the information supplied by North Essex Parking Partnership (NEPP) which affected the monitoring and reconciliation of the income. During 2014/15 this problem was resolved but following the contracting out of cash collection by NEPP a similar problem was identified in the information provided by the cash collection contractor.	This issue was addressed by management and by the internal audit sections of the Councils which are members of the NEPP following a meeting with the cash collection contractor. The introduction of new ticket machines in 2015/16 has greatly improved the monitoring of the pay and display income received.

2	<b>Housing rent reconciliations</b> A Limited Assurance audit report was issued for Housing Rent Collection and Arrears, due to the Rental Income reconciliation and Council Stock reconciliation had not been completed for 2013/14.	Staff from both the Communities and Resources Directorates have worked together to resolve the issue; the Council Stock reconciliation had been completed by the time the final report was issued, and the Rental Income reconciliations are carried out on a monthly basis.
3	<b>Contract Standing Orders</b> A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders.	A Contract Standing Orders Working Party, chaired by the Director of Communities, was set up to undertake a fundamental review of the Council's Contract Standing Orders.  New Contract Standing Orders (known as Procurement Rules) were approved by Council on 26 April 2016. These are being widely communicated across the Council, supplemented with training sessions, to help ensure compliance.
4	<b>Sundry Debtors</b> Internal audit reviews in 2014/15 also identified weaknesses in debt recovery processes, especially for debts below £500.	The Corporate Debt Working Group, chaired by the Assistant Director Revenues, has overseen the implementation of recommendations made to the Management Board in February 2015.

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

**Table Two: Areas for improvement or monitoring during 2016/17**

No.	Issue	Management response
1	<b>Procurement Rules</b> A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders as these had developed over time and were difficult to follow.  On 26 April 2016 Council approved the new Procurement Rules, which replaced the Council's previous Contract Standing Orders. These provide a more flexible approach and are more responsive to the current and future procurement needs of the Council.	Staff are currently being trained on the Council's new Procurement Rules and mechanisms are being developed to ensure compliance with these.
2	<b>Corporate Policies</b> A need to raise awareness of, and communicate changes to, corporate policies e.g. Whistleblowing Policy and Officer Code of Conduct was a common theme coming out of this year's Service Assurance Statements.	A review of the Council's anti-fraud and corruption framework will be spearheaded by the Corporate Fraud Team this year and will include a review of the Council's Whistleblowing Policy and Officer Code of Conduct; the results of which will be promulgated to staff.

3	<b>Project Management</b> Service Assurance Statements also identified a need to develop project management processes and provide training in this area.	A Project and Programme Management project team has been set up, sponsored by the Chief Executive, and is meeting regularly to address this issue.
---	---	--

We propose over the coming year to continue to improve matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

Glen Chipp  
Chief Executive

Signed .....

Councillor Chris Whitbread  
Leader of the Council