

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-006-2015/16**
Date of meeting: **21 September 2015**

Portfolio: Governance and Development Management

Subject: Annual Governance Statement 2014/15

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) The Committee is requested to approve the revised Governance Statement for 2014/15

Executive Summary:

The Audit and Governance Committee at their June 2015 meeting approved the 2014/15 Annual Governance Statement, subject to minor wording changes. The Governance Statement has been revised since that meeting to ensure it captures all relevant governance issues following review by the External Auditors and is being re-presented for approval.

Reasons for Proposed Decision:

To provide the Committee with the opportunity to scrutinise the revised 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 2011. 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 Audit and Governance Committee at their June 2015 meeting received and approved the draft Governance Statement for 2014/15. Following review by the External Auditors and subsequent discussion at the Corporate Governance Group it has been agreed to extend the proposed actions table from two actions to four to take into account two common control weaknesses coming out of Internal Audit's work in 2014/15; these being Contract Standing Orders and sundry debtors. No other changes to the version already seen by the Audit and Governance Committee have been made except that point 1 of "The Governance Framework" section has been amended to refer to "The Corporate Plan covering 2011 – 2015...", not "A Corporate Plan ..." as requested by the Committee.

3. The Committee is reminded 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 and the AGS is published with the Statement of Accounts.

Resource Implications:

From existing resources.

Legal and Governance Implications:

No specific implications.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group and Service Directors.

Background Papers:

Annual Governance Statement 2014/15 report to the Audit and Governance Committee on 29 June 2015

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.

Date / Name	Summary of equality analysis
9/9/15 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 2014-15

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. 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 2011, 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 (2010).

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 31st March 2015 and up to the date of approval of this Statement and the Statement of Accounts.

The Governance Framework	
	The key elements of the Council's governance arrangements for 2014/15 were:
1	The corporate plan covering 2011-2015, 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"> 2.1 sets out the Council's decision-making framework; 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); 2.3 includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and 2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.
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 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, refreshed in 2014-15, along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti money laundering policies.
15	Contribution to the delivery of the Sustainable Community Strategy for the District through active participation on One Epping Forest, formerly the Local Strategic Partnership, and the alignment of the Key Themes of the Corporate Plan 2011/15 with the Community Strategy.

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.

Directors governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;

Documentary evidence of processes, procedures and standards:

The development throughout 2014/15 of a framework to support counter fraud and corruption and processes and procedures to enable action to prevent, detect and investigate fraud, which will culminate in the creation of a Corporate Fraud Investigation Team as from 1st April 2015.

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, particularly in the 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;

Significant governance Issues from 2014/15.

In the Annual Governance Statement for 2013/14 we reported two significant governance issues relating to ICT Procurement and Car Parking Income. The ICT Procurement issue had been resolved by the time that statement was published while the Car Parking Income was partly resolved but further work was required.

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, we have identified areas for improvement or require careful monitoring which are set out in the table below, together with the steps to be taken to address them. The second issue below was also reported in the External Auditors (BDO) Annual Audit Letter 2013/14.

No.	Issue	Management response
1	<p>Car Parking Income 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.</p>	<p>Action to be taken 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 will greatly improve the monitoring of the pay and display income received. The installation of these new machines is scheduled to start early in 2015/16</p>
2	<p>Housing rent reconciliations 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.</p>	<p>Staff from both the Communities and Resources Directorates had 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 reconciliation had been completed by 7 August 2014. Rental Income reconciliations are now carried out on a monthly basis.</p>
3	<p>Contract Standing Orders A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders.</p>	<p>Contract Standing Orders have been developed over time and can be difficult to follow, therefore, a Contract Standing Orders Working Party, chaired by the Director of Communities, has been set up to undertake a fundamental review of the Council's Contract Standing Orders.</p> <p>The group is making substantial progress and the new Contract Standing Orders (subject to Member approval) will provide a more flexible approach and be more responsive to the current and future procurement needs of the Council and will be widely communicated across the organisation to help ensure compliance.</p>
4	<p>Sundry Debtors Internal audit reviews in 2014/15 also identified weaknesses in debt recovery processes, especially for debts below £500.</p>	<p>In light of concerns raised by Internal Audit, the Corporate Debt Working Group, chaired by the Assistant Director Revenues, continues to oversee the implementation of recommendations made to the Management Board in February 2015.</p>

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