

## **ANNUAL GOVERNANCE STATEMENT 2014/15**

### **1. SCOPE OF RESPONSIBILITY**

East Cambridgeshire District Council (the 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.

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 the management of risk.

The Council has approved and adopted a Local 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 Council's Code can be obtained from our website. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, Regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and the 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 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 and impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of the production of the annual report and Statement of Accounts.

### **3. THE GOVERNANCE FRAMEWORK**

The Council has a responsibility for ensuring that a sound system of governance is in place to meet statutory requirements for public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control, and preparing a Statement on Internal Control. The governance statement meets that requirement and sets out brief details of the arrangements the Council has in place regarding the key systems and

processes comprising the Council's governance framework. This forms part of the Council's overall assurance framework, which incorporates the Local Code of Corporate Governance adopted by the Council, covering the six core principles and accompanying supporting principles contained in the CIPFA/SOLACE Framework for delivering good governance in local government. The following paragraphs describe the key elements of the systems and processes that comprise our governance arrangements.

## **FOCUSING ON THE PURPOSE OF THE COUNCIL AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA.**

- Two Corporate Objectives were agreed by the Annual Council meeting held in May 2012. The first objective reiterates the importance of the Council achieving a balanced budget with the appropriate level of reserves to deal with uncertainties of the future. The second objective sets out the Council's priorities to achieve growth and jobs, and making improvements in the quality of life and the environment for those living, working and visiting the District. The Council identified a suite of corporate priorities linked to the Corporate Objectives. These were monitored during the year and progress was reported in-year to the Corporate Governance and Finance Committee.
- After the elections in May, the Council will be developing a new Corporate Plan that sets out the Council's aims, priorities and targets
- A revised Committee Structure was agreed at a Special Council meeting on 15<sup>th</sup> April 2014. In addition to the new structure, the meeting also approved the appointment of Service Delivery Champions.
- In July 2014 the Corporate Governance and Finance Committee approved a revised performance management methodology and the introduction of a new style Service Delivery Plan that defines the purpose and ambitions of the Council and establish the accountability of both the elected members and officers to the local community. The Service Delivery Plans for the financial year 2014/15 were adopted by service committees during the autumn of 2014. Year end performance is to be reported through the summer committee round.
- The Council published its annual accounts as required under the Accounts & Audit Regulations 2011. The format follows the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) as set out in its Code of Practice on Local Authority Accounting in the United Kingdom. Financial statements are prepared using the International Financial Reporting Standards (IFRS), which brings benefits in consistency and comparability between financial reports across the whole economy, and follows best practice in the private sector.
- The Council has continued its programme of comprehensive service reviews. The reviews in progress or completed during the financial year 2014/15 included Strategic Planning, Licensing, Public Conveniences and Information Communication Technology.

## **MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE, WITH CLEARLY DEFINED FUNCTIONS AND ROLES.**

- As the Head of Paid Service, our Chief Executive leads the officers and chairs the Council's Corporate Management Team. The other two statutory officers, the Monitoring Officer and S151 Officer report to the Director Support Services.
- Regular meetings are held between the Leader of the Council and Chief Executive in order to maintain a shared understanding of roles and objectives.
- The Council has developed appropriate protocols to ensure that there is effective communication between members and officers.
- There is a scheme of delegation in place for officers and members and this is included within our Constitution.

## **PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR.**

- The Council has established a robust financial planning process which includes a Medium Term Financial Strategy, monthly budget monitoring reports to Service Leads and other budget holders and quarterly budget monitoring reports to policy committees.
- The Council ensures compliance with established policies, procedures, laws and regulations through a number of channels. Under the revised structure that became effective from 1<sup>st</sup> September 2014 the Chief Executive is responsible and accountable to the Council for all aspects of operational management. The Financial Services Manager is responsible for ensuring that appropriate advice is given on financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control. The Principal Solicitor is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- The Council has in place an Anti-Fraud & Corruption Strategy which specifies the process by which allegations will be investigated and reported. The Council also acknowledges its responsibility to embed effective standards for countering fraud and corruption that supports good governance and demonstrates effective financial stewardship and strong financial management. In December 2014 CIPFA published a Code of Practice on Managing the Risk of Fraud and Corruption consisting of five principles:-
  - ❖ Acknowledge responsibility for countering fraud and corruption.
  - ❖ Identify the fraud and corruption risks.

- ❖ Develop an appropriate counter fraud and corruption strategy.
  - ❖ Provide resources to implement the strategy.
  - ❖ Take action in response to fraud and corruption.
- Internal Audit will be undertaking a review against the Code during the financial year 2015/16 to assess compliance and identify any significant gaps in our approach to managing the risk of fraud and corruption.
  - The Council, along with other local authorities within Cambridgeshire, is part of a project financed by a grant of £335,100 from the DCLG to implement a county-wide anti-fraud network over a fifteen month period commencing in January 2015, which aims to identify additional fraud and error across Cambridgeshire to the value of £12 million over the next 5 years.
  - Our Whistle-Blowing Policy covers the arrangements for staff to report concerns anonymously. The Council's Complaints Scheme and how to complain to the Ombudsman are included within the Constitution. The Council has a dedicated resource in place to manage the complaints process.

#### **TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK.**

- The Council has adopted a Constitution which sets out how the Council operates, how decisions are taken and the procedures which should be followed.
- Meetings are open to the public except where there are confidential matters to discuss. A new committee structure was put in place for the financial year 2014/15 which complements the new structure of the Council.
- The Council has in place a Risk Management Strategy. The Chief Executive has overall responsibility for the management of corporate risks. The Principal Auditor maintains the operational risk register but individual officers are responsible for managing the risks. The present Risk Management Strategy does however require review to align it with the new council structure, clearly defining the role and responsibilities of officers and members and associated training needs.
- The Principal Auditor reports in his own name and includes in the Annual Audit Report and Opinion an executive summary of any audit reviews where a limited or no assurance opinion is given. As the Principal Auditor has not attained a full recognised qualification, the Council is required to publicly state this in the Annual Governance Statement. The post holder does however have considerable internal audit experience at manager level.

## **DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE.**

- There is a member induction and training programme in place. Members are also required to undertake specific training before performing certain duties such as planning and licensing. Additional member seminars are also arranged throughout the year to deal with specific issues as they arise.
- There is an induction programme for all new employees, which consists of a mix of one-to-one meetings covering specific aspects of employment and group meetings that deal with more common areas.
- All officer posts within the Council have a detailed job description and person specification.
- The development needs of officers are determined through an annual performance appraisal, a key outcome of which is a Personal Development Plan, with any professional training requirements being identified for consideration and approval.
- The restructure of the Council during the year has resulted in staff taking on new roles and responsibilities. Training and development needs have been identified covering specific areas including staff management, financial management, risk management project management and procurement. A programme of training will be developed following staff annual appraisal's to ensure they have the right knowledge and skills to manage their services effectively.
- The Financial Services Manager, the Council's S151 Officer is a qualified accountant with relevant experience and is supported by a team of appropriately qualified staff.

## **ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY.**

- There is public access to all Committee meetings except where items for discussion are of a confidential nature. The Council continues to be committed to ensuring that members of the public are involved in the decision making process. There are specific schemes in place to allow members of the public to speak at both Planning and Licensing Committee meetings, and the Council has also issued general guidance on public question time at other meetings. All meeting agendas, minutes and decision lists are published on the Council's website.
- The Council undertakes regular consultation exercises, ranging from small focus groups of customers to large scale questionnaires and face-to-face surveys. As part of the councils work on equalities, a Consultation Register is held which gives individuals, community groups and associations the opportunity to consider new or revised policies, strategies or functions and to express their opinions, concerns and make suggestions. To encourage as wide a participation as possible, an invitation

for further individuals to join the register is included in the Equality & Diversity section of the Council's website.

- Regular media releases are used as a means of keeping residents of the District informed of current and upcoming issues and Council decisions. The Council endeavours to ensure that all communications with the public are accessible to all by providing a translation service, large print and Braille.
- A web-based community engagement tool administered by the County Council called "ShapeYourPlace" was launched in the District in April 2012. It allowed local people to start or join in conversations about how they could improve their local area, and was seen as a critical tool for engaging with our community. This service was however withdrawn by the County Council at the end of March 2015 as a budgetary saving measure. The Council is developing alternative proposals as part of its Transformation Programme.
- The Council ceased to hold Neighbourhood Panels at the end of the financial year 2013/14 which resulted in the need for a revised community engagement tool. Consultation with parish councils favoured taking forward Parish Conferences as the preferred community engagement initiative. Two pilot conferences have taken place and feedback suggests that they are a useful and important engagement platform between the parishes and other public services. With the cessation of "ShapeYourPlace" it is important that this latest initiative is continued and expanded.
- In terms of transparency, we publish on our website the recommended datasets in accordance with the Code of Recommended Practice for Local Authorities on Data Transparency which was published in October 2014.

#### **4. 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 senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and Opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

The process for reviewing the effectiveness includes:-

- The Council's financial management arrangements conform to the legislative and professional requirements of the CIPFA Statement on "The role of the Chief Financial Officer in Local Government 2010".
- The Monitoring Officer reviews the operation of the Council's Constitution to ensure that its aims and principles are adequate.

- The Corporate Governance and Finance Committee has overseen the audit functions for the Council and corporate governance arrangements including risk management. Amongst other things it also reviews the Medium Term Financial Strategy and Annual Statement of Accounts.
- A Corporate Governance and Finance Hearings Sub-Committee considers complaints against Councillors where there is an allegation that the Councillor has failed, or may have failed, to comply with their Code of Conduct.
- The Council's Corporate Management Team is responsible for the delivery of the overall planning, performance and direction of the Council. The Corporate Management Team consists of the Chief Executive, Director (Regulatory Services), Director (Support Services) and Corporate Manager. Corporate Management Team meetings are usually held every week.
- The Council's external auditor published its Audit Results Report (ISA 260) to those charged with governance for the financial year 2013/14 by 30<sup>th</sup> September 2014 which contained the opinion on the accounting statements and value for money conclusion. The Annual Audit Letter was issued in November 2014 summarising the findings from the 2013/14 audit.
- Internal Audit is responsible for monitoring and reporting on the effectiveness of systems of internal control. It is managed by the Principal Auditor who reports to the Financial Services Manager (the Council's Section 151 Officer). At the completion of each audit a report is produced for management detailing the work undertaken. Recommendations are made to improve controls and they are given a priority rating ranging from High down to Low according to the significance of the weakness identified. Internal Audit is required to comply with the Public Sector Internal Audit Standards from 1<sup>st</sup> April 2013, which replaced the Code of Practice for Internal Audit in Local Government in the UK.
- The overall opinion on internal control is reported to the Finance & Governance Committee in the Internal Audit Annual Report each year. The opinion for the financial year 2014/15 is that there is "significant assurance that the systems of internal control within the areas examined were operating satisfactorily". Some Internal Audit reports have however highlighted that compliance with policies and processes has not been applied consistently across the Council.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

### Review of significant governance issues raised in 2013/14

The approved Annual Governance Statement for the financial year 2013/14 identified one significant governance issue relating to an Internal Audit review of mileage and overtime claims. It can be confirmed that action has been taken to implement the recommendations contained in the audit report.

## Significant governance issues 2014/15

With threats to continue to cut central government funding, significant financial savings will be required to be made by the Council in the coming years. The Council has embarked on an unprecedented period of change both in terms of organisational change through the recent restructure but also through a transformation programme which will look critically at the way we provide our services to our customers, whilst at the same time delivering on the suite of high profile corporate priorities including the new district leisure centre and the establishment of a local authority trading company.

We have been advised on the results of the review of the effectiveness of the governance framework in operation during the financial year 2014/15, and plan to address the following weaknesses and ensure continuous improvement of the system in place.

Issue	Action Plan
<p><b><u>Corporate Plan</u></b> The Corporate Plan needs to be updated to reflect the Council's aims, priorities and targets moving forward.</p>	<p>After the elections in May, the Council will be developing a new Corporate Plan.</p>
<p><b><u>Risk Management Strategy</u></b> The Risk Management Strategy requires review to align it with the new council structure, clearly defining the role and responsibilities of officers and members and associated training needs.</p>	<p>Review of Risk Management Strategy included in Internal Audit Plan for the financial year 2015/16 for approval by Corporate Governance &amp; Finance Committee.</p>
<p><b><u>Service Leads Development</u></b> The restructure of the Council has resulted in staff taking on new roles and responsibilities. Training and development needs have been identified covering specific areas including staff management, financial management, risk management project management and procurement. A programme of training is required to ensure that staff have the right knowledge and skills to manage their services effectively.</p>	<p>Individual staff training requirements will be picked up through an enhanced appraisal process designed to focus on competencies and priorities.</p> <p>Cross cutting development will be identified as part of a project focused on Workforce Development within the Transformation Programme.</p>
<p><b><u>Limited Assurance Audit Reviews</u></b></p> <p><b>Income Controls</b> – the key areas for improvement arising from this review were to:</p> <ul style="list-style-type: none"> <li>• Introduce Chip and Pin for card payments.</li> <li>• Revise post opening procedures.</li> <li>• Look at alternatives for recording and processing cheque payments received.</li> </ul> <p>The report contained two high and seven medium priority recommendations which were accepted by management.</p>	<p>Follow up of agreed actions by Internal Audit during 2015/16 and outcomes reported back to Corporate Governance &amp; Finance</p>



<p><b>Procurement</b> – effective procurement is essential to delivering value for money. The review identified a number of areas of weakness mainly around reviewing Contract Procedure Rules (CPRs), training and embedding CPRs within the Council. The review also highlighted the need for the Council to consider how procurement expertise is to be provided and to ensure that appropriate processes are put in place in order to comply with the new 2014 EU Procurement Directives.</p> <p>The report contained five high and 2 medium priority recommendations which were accepted by management.</p> <p><b>Treasury Management</b> – a breach of our Treasury Management Strategy occurred which placed the Council at risk of financial exposure were the rating of the counterparty to fall and in addition the Council could not call on the investment were funds needed.</p> <p>The report contained five high priority, five medium priority and two low priority recommendations which were accepted by management.</p> <p>The Annual Internal Audit Report and Opinion presented to the Corporate Governance &amp; Finance Committee on 20th July 2015 provides a more comprehensive commentary on the above reviews.</p>	<p>Committee.</p> <p>Follow up of agreed actions by Internal Audit during 2015/16 and outcomes reported back to Corporate Governance &amp; Finance Committee.</p> <p>A follow up of the agreed actions has been undertaken by Internal Audit during 2015/16 and the assurance opinion has been revised to significant.</p>
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We propose over the coming financial year to take steps to address the above matter to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

J Hill  
Chief Executive  
Date :

J Palmer  
Leader of Council  
Date :