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ANNUAL GOVERNANCE STATEMENT 2012/13

1. Background

1.1 Sevenoaks District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law, proper standards, good governance and that public money is safeguarded from waste, extravagance or misappropriation. The Council seek to ensure that its expenditures and activities are transparent and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make proper arrangements to secure continuous improvement in the way in which it carries out its functions, having regard to ensuring economy, efficiency, effectiveness and fairness in the exercise of its responsibilities. As part of that process, the Council is required to produce an Annual Governance Statement (to be published with its financial statements) which sets out its arrangements for delivering good governance within the framework of sound internal controls.

1.2 The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the Leader of the Council and the Chief Executive (Head of Paid Service) as signatories;
- directors and management assigned with the ownership of risks and the delivery of services;
- the Chief Executive Designate who is responsible for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972;
- the Monitoring Officer in meeting her statutory responsibilities of ensuring the legality of Council business;
- the Council's Internal Audit function;
- Members (for example, through the select committees and the Performance and Governance Committee); and
- others responsible for providing assurance, in particular the District Auditor of the external audit service of Grant Thornton, in his role as the Council's External Auditor.

1.3 Thus the AGS, as a corporate document, is owned by all Senior Officers and Members of the Council. A shared approach was taken in compiling the AGS with the objective of engaging the whole authority within the process and encouraging a high degree of reflection and corporate learning. This increases the statement's significance and encourages people to objectively assess their responsibilities.

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- 1.4 The system of corporate governance highlighted in the AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; prime examples being the authority's performance management and risk management framework.
- 1.5 Although corporately owned, the AGS requires internal control assessments/assurance statements from Heads of Service, the Internal Audit Manager, Directors, the Head of Paid Service, the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of this process.

2. Scope of Responsibility

- 2.1 In discharging this overall responsibility, to ensure its business is conducted in accordance with the law, proper standards and delivering continuous improvements, Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions and which includes arrangements for the effective management of risk. The Council seeks to conduct these responsibilities within the framework of, high quality service provision to enhance and facilitate community wellbeing and engagement.
- 2.2 The roles of the Chief Executive (as Head of paid Service), the Section 151 Officer, the Monitoring Officer are defined within Part 13 of the Council's Constitution. The Executive Role of Members is defined within Part 4 of the Council's Constitution.
- 2.3 Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the objectivity of the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.
- 2.4 Sevenoaks District Council has approved and adopted a 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 code can be obtained from our Audit, Risk and Anti-fraud Team, or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of regulation 4(3 & 4)) of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an Annual Governance Statement.

3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, culture and values, by which the authority informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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- 3.2 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 being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It also seeks to maximise available opportunities in achieving good value for money delivering its objectives and priorities.
- 3.3 The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2013. Since 14 May 2013, a new governance framework has been implemented. These changes will be subjected to review during the year and any further changes or areas for development which are identified will be considered and determined by full Council. This will be included in the Council's governance action plan.

4. The Governance Framework

- 4.1 The following represent the key elements of the governance framework within Sevenoaks District Council:
- The Council's objectives to March 2013 were established and set out in the Sevenoaks District Sustainable Community Action Plan 2010-13 and the Corporate Performance Plan. The Sustainable Community Plan 2010-13 was approved and adopted by Council in March 2010. Going forward, the Council's vision is set out in the Sevenoaks District Community Plan 2013 – 2018, which is available on the Council's website, via the following link [<http://documents.sevenoaks.gov.uk/community%20and%20living/community%20plan/Sevenoaks%20Community%20Plan%202013.pdf>].
 - Both of these plans were subjected to considerable Member review and challenge by Cabinet, the appropriate Select Committee or the Performance and Governance Committee, the Finance Advisory Group and ultimately by the full Council. Since 14 May 2013, new governance arrangements are now in place, incorporating an Audit Committee, whose terms of reference is consistent with CIPFA standards; Standards Committee, Governance Committee and a Scrutiny Committee in addition to five Cabinet Advisory Committees. Hence the plans will continue to be scrutinised and reviewed under the new arrangements and any changes will be considered and determined by full Council. These plans are also cascaded to individuals within the Council through Service Plans and individual action plans through the appraisal process.
 - Policy and decision-making is facilitated through reports from Officers to Cabinet. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Select Committees have the opportunity to 'call-in' the decisions of Cabinet and

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recommend changes to decisions or policies. Under the new governance arrangements the new Scrutiny Committee will have this power.

- The Council's Constitution specifies the roles and responsibilities of Members and Officers; and the financial and procedural rules for the efficient and effective discharge of the Council's business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:

a) **Internal Audit**

During the period 2012-13, the Council's internal audit team worked to an approved annual audit plan and undertook the work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006). Since April 2013, new Public Sector Internal Audit Standards came into force. The Council is currently reviewing the mandatory elements of the new standards to determine how these could be implemented within the Council's governance and assurance framework. This is included within the governance action plan. Individual audit reports are produced for relevant management, with copies to the Chief Executive, Section 151 Officer and the relevant Director. Quarterly update reports and the Annual Audit report went to the Performance and Governance Committee. From May 2013 all internal audit reports will now go to the new Audit Committee. The quarterly reports highlight the results of individual risk-based audit reviews, while the annual report, which contains the Audit Manager's overall assurance opinion, evaluates the overall internal control environment as tested through audit work undertaken in the year. The review of the effectiveness of Internal Audit was assessed in May 2013 as 'satisfactory' in meeting the requirements of an adequate and effective internal audit service. This was endorsed by management team and the Audit Committee.

b) **External Audit**

External audit service is provided by Grant Thornton. The District Auditor's reports are sent to senior management and Members (via the Audit Committee, (previously, via the Performance and Committee). Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations. The Council's current practice was commended in all its recent audit and inspection reports, and unqualified opinions were issued in relation to both financial statements and value for money for 2011-12.

c) **Financial Management**

A robust budgetary control system is in place and regular monitoring reports are produced for Heads of Services, Management Team, Cabinet, the Performance and Governance Committee and the Finance Advisory Group. Senior accountants conduct monthly client liaison meetings with responsible budget holders. Under the new governance arrangements the Performance and Governance Committee and Finance Advisory Group no

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longer exist and the information will be presented to the Finance Resources Advisory Committee and could also be looked at by the Scrutiny Committee.

d) **Performance Management**

Monitoring of progress towards the achievement of the Council's promises and objectives is undertaken through the Council's performance management system. Performance is monitored monthly and enhanced with commentaries from senior managers where performance is behind target. Strategic information is regularly reported to Management Team, Cabinet Members and the Select Committees. Under the new governance arrangements future reports to Members will be sent to the Scrutiny Committee.

e) **Arrangements for Partnerships**

The Council believes that it can enhance value for money with service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. The Council has developed a comprehensive partnership toolkit to ensure that partnerships incorporate the Council's culture and comprehensive approach to managing risk. Decisions to enter into partnership working are supported by business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. Following on from the successful implementation of a Revenues and Benefits; and the Audit Risk and Anti-Fraud shared services in 2010-11, the Council has successfully implemented a further major shared service project with Dartford Borough Council for Environmental Health Services in 2012.

f) **Risk Management**

The Council's risk management framework underwent a comprehensive review during 2012 -13 which resulted in streamlining and simplification of the framework, whilst incorporating good practice Enterprise Risk Management (ERM) principles within the process. The process was informed by the requirements of ISO 31000 and facilitated by the ALARM toolkit. As a result of this review, relevant training was delivered to both Officers and Members. Service managers have assessed their operational risks for 2013-14, incorporating the new framework. The strategic aspects of the framework is currently being finalised and will take account of the new senior management structure which fully comes into effect on 2 September 2013. The new strategic framework would require endorsement of the new senior management team prior to full implementation. This has been included in the governance action plan. High level monitoring of risk management framework is now carried out by the new Audit Committee. Membership of the officers risk group has been reviewed and continues to have oversight of the Council's risk management process and delivery.

g) **Relationships and Ethics**

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Good co-operative relationships exist between the Council and its external auditors and inspectors and between Officers and Members. Relationships between Officers and Members are guided by a protocol embedded in the Council's Constitution. A written communications protocol has also been established between the Leader and the Chief Executive. The Council has clear Codes of Conduct for Members and Officers embedded within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.

h) Service Delivery by Trained and Experienced People

The Council has a robust recruitment policy and procedures in place. The Council holds Gold and "Champion" status in the Investors in People (IiP) New Choices scheme, conferred by an external inspection regime in December 2012. The Council was one of the first local authorities nationally to achieve this standard, in its previous inspection, in 2009. Staff appraisals take place annually, including an annual review of service and training plans, training evaluation and recruitment and selection procedures.

i) Monitoring Officer

The Council has appointed a Monitoring Officer to oversee its compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee. Regular meetings between the three statutory Officers (Chief Executive, Corporate Resources Director and Head of Legal Services) form part of the Council's governance arrangements. The impact of changes regarding the Council's new senior management structure within this arrangement would form part of the assessment of the review of the new structure set out in Para 2.1 of the governance action plan.

j) Anti-fraud and Corruption

The Council has a fraud and corruption policy, including a whistle-blowing policy, published on its intranet site. The Council also has a dedicated Benefits Fraud Team and a well-publicised "fraud hotline", available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. As part of fraud risk management, all staff and Members are required to complete annual declarations of interests. Appropriate briefings have been made to all staff regarding the Bribery Act 2010. The risks of fraud and corruption are assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

5. Role of the Chief Financial Officer (CFO)

5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigned this responsibility in paragraph 5.2 to the then Deputy Chief Executive &

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Director of Corporate Resources (Dr Pav Ramewal), who is now the Chief Executive designate and will become Chief Executive from 1 September 2013. The impact of changes regarding the Council's new senior management structure within this arrangement will form part of the assessment of the review of the new structure set out in Para 2.1 of the governance action plan.

- 5.2 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate an effective CFO. The Council has considered this Statement, and believes that, during the financial year 2012-13, it has complied fully with the governance requirements of this Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution, ensure that all the appropriate responsibilities are delegated and reserved to the CFO as the Statement recommends. Any relevant changes necessary in relation to these rules arising from the new senior management structure and new governance arrangement will form part of the impact assessment of the new structure set out in Paras 2.1 and 2.2 of the governance action plan.

6. Review of Effectiveness

- 6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the outcome of the work of the Council's internal auditors during the year and by Heads of Service who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates. The Council is keen to allow itself to be the subject of external scrutiny and challenge, and to consider recommendations for improvement.
- 6.2 The External Auditor concluded that, for 2011-12, the Council had effective arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising in relation to value for money from the current work being undertaken by the External Auditor.
- 6.3 Internal audit reports were presented to the Performance and Governance Committee. The annual internal audit report was presented to the Council's new Audit Committee in June 2013. This sets out the Audit, Risk and Anti-Fraud Manager's opinion on the overall internal control and governance environment. Any internal audit review judged "unsatisfactory" or "unacceptable" is subject to a timely action plan and follow-up audit.
- 6.4 The opinion of the Audit, Risk and Anti-Fraud Manager in the Annual Audit Report to the Audit Committee for 2012/13 is that the overall control environment within Sevenoaks District Council is **effective**.
- 6.5 The Chief Financial (Section 151) Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial

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control and application of the various Codes of Conduct. The impact of the new senior management structure on these arrangements will form part of the impact assessment on section 2.1 of the governance action plan.

6.6 The Council continues to review and improve its governance arrangements on a continuous basis. Improvements during 2012/13 include the following:

- New governance arrangements came into force in May 2013. Relevant issues affecting this development are cited in Para 2.2 of the governance action plan
- New senior management structure, to be fully implemented from 2 September 2013. Relevant issues affecting this development are cited in Para 2.2 of the governance action plan
- Review and enhancement of the Council's Risk Management Framework. Relevant issues affecting this development are cited in Para 2.4 of the governance action plan
- Ongoing review of savings plans and budget adjustments made to protect services in the circumstances of government grant cuts;
- Extension of Shared Service arrangements to incorporate new areas to improve Value for Money;
- The development, testing and peer review of the Council's Business Continuity and Incident Management Plan, particularly in relation to the successful delivery of the Olympics and Paralympics; and Health and Safety arrangements.
- The Standards Committee, comprising of seven elected Members, ensures that Members adhere to the protocols of Conduct as set out in the Constitution.

7. Significant Governance Issues

7.1 **The Council notes the following significant governance issue - as previously reported, there is an on-going regulatory inquiry into the fatal road traffic accident on 13th September 2011 involving one of the Council's road sweeping vehicles. The Police investigation has been concluded with no further action to be taken, but the matter is still being examined by the HSE.**

7.2 In addition to the above, the following areas although not considered as "significant issues" of concerns have been identified as areas requiring close monitoring, or further development, within the scope of the Governance Statement and in view of the Council's commitment to continuous improvements:

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- 1. The Council's new senior management structure fully comes into effect in September 2013. An impact assessment of the changes will be carried out within a reasonable timescale, to determine the effect of the recent changes in delivering the Council's vision and priorities.**
- 2. The Council has adopted new governance arrangements from the beginning of the municipal year (2013-14). This will be subject to review during the year. Any changes will be considered and determined by full Council.**
- 3. The Council is reviewing the implications of the mandatory elements within the new Public Sector Internal Audit Standards 2013 and how these could be effectively implemented within the Council's governance and assurance framework.**
- 4. The Council's revised strategic risk management framework will require senior management endorsement prior to full implementation.**

Certification

Signature: **Date:.....**

Cllr. Peter Fleming (Leader of the Council & Cllr for Sevenoaks Town & St. John's)

Signature:..... **Date:**

Robin Hales (Chief Executive and Head of Paid Service)

on behalf of Sevenoaks District Council

Dr. Pav Ramewal

Chief Executive Designate and sec 151 Officer
August 2013