

ANNUAL GOVERNANCE STATEMENT 2014/15

1. Background

1.1 Further to Regulation 4 of the Accounts and Audit Regulations (England) 2011, 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;
- Chief Officers, Heads of Service and relevant managers assigned with the ownership of risks and the delivery of services;
- the Chief Executive 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 statutory responsibilities of ensuring the legality of Council business;
- the Council's Internal Audit function;
- Members (for example, through the committees such as the Governance, Audit, Scrutiny and the Strategy and Performance Advisory Committees); and
- others responsible for providing assurance, in particular Grant Thornton, in their 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 all managers integrally involved in the delivery of services covering the whole authority within the process and also encouraging a high degree of reflection and corporate learning. This increases the statement's significance and encourages managers to objectively assess their responsibilities.

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; examples being the authority's performance management and risk management frameworks.

1.5 Although corporately owned, the AGS requires internal control assessments/assurance statements from individual Heads of Service and relevant managers, Chief Officers, the Internal Audit Manager, 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 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 seeks to ensure that its expenditure and activities are transparent and properly accounted for. The Council 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. 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 and 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 the 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.

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 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 2014 and up to the date of approval of the Statement of Accounts. Since 14 May 2013, a new governance framework has been implemented which was formalised in September 2013. The changes were subjected to review during the year, which was undertaken by the Council's Internal Audit Service. The review identified that the Council's Governance Framework was effective.

4. The Governance Framework

4.1 The following represent the key elements of the governance framework within Sevenoaks District Council:

- The Council's vision and promises for the period ending in March 2015 were set out in its Corporate Plan, which was revised and updated in November 2013. The Corporate Plan sets out the actions that the Council has committed to undertake to deliver on its promises with progress against these reviewed annually. The Sevenoaks District Sustainable Community Plan covers the period from 2013-28. Every three years the Community Plan is comprehensively reviewed in consultation with residents and other interested stakeholders. A three year action plan is agreed with partners at each review point, with the current action plan covering the period from April 2013 to March 2016. Progress against each of the actions is reviewed quarterly with an Annual Report produced each year. The plans and report can be found on the Council's website, via the following links:

Sustainable Community Action Plan 2013-28 & 2014 Annual Report:

[<http://www.sevenoaks.gov.uk/services/community-and-living/community-plan>]

Corporate Plan:

[<http://www.sevenoaks.gov.uk/services/council-and-democracy/the-councils-vision-and-promises>].

- Both of the existing plans above are subject to considerable Member review and challenge by Cabinet, or the appropriate Select/Scrutiny Committee, the Finance and Resources Group and ultimately by the full Council. The governance arrangements put in place on 14 May 2013, continue to operate well during the year new and also includes an Audit Committee, whose terms of reference is

consistent with CIPFA standards. . This arrangement will be subjected to review following the election of a new Council at the May Elections. Hence the plans will continue to be scrutinised under existing arrangements and any changes will be considered and determined by the full Council. The promises and priorities within the plans are also cascaded to individuals within the Council through Service Plans and individual action plans via the staff appraisal process.

- Policy and decision-making is facilitated through reports from Officers to Cabinet and Council. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Each portfolio also has an Advisory Committee which will consider officer reports in advance of them being considered by Cabinet and provide their recommendations on the policy direction or decision making of the Cabinet or Council. The Scrutiny Committee has the opportunity to 'call-in' the decisions of Cabinet and to recommend changes to decisions or policies.
- 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 2014-15, the Council's internal audit team worked to an approved annual audit plan and undertook the work in accordance with the Mandatory Public Sector Internal Audit Standards (PSIAS) 2013 which have replaced the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006).

Individual audit reports are produced for relevant management, with copies distributed to the Chief Executive, Section 151 Officer and the relevant Chief Officers. Internal audit reports on the progress of internal audit in delivering the assurance plan are also distributed to the Audit Committee. Periodic 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 2014/15 as 'effective' in meeting the requirements of an adequate and effective internal audit service. A number of areas were suggested for further developments. A copy of the report is included in the agenda for this meeting.

An external quality review of internal audit was also undertaken by PricewaterhouseCoopers in December 2014. The review outcome was largely consistent with that of the internal review undertaken by management and also suggested a number of areas for further development. An action plan has been presented to the Strategic Management Team to address the relevant issues raised.

The outcome of the review of the effectiveness of internal audit therefore indicates that the arrangements in place for the provision of an internal audit service are “effective” and delivers good value for money, but it does not yet meet full compliance with the new Public Sector Internal Audit Standards.

b) External Audit

The external audit service is provided by Grant Thornton. The External Auditor’s reports are sent to senior management and Members (via the Audit Committee). Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations.

The Council’s current financial management was commended in all its recent audit and inspection reports by the external auditors, Grant Thornton, and unqualified opinions were issued in relation to both financial statements and value for money for 2013-14

c) Financial Management

A robust budgetary control system is in place and regular monitoring reports are produced for Chief Officers and the Strategic Management Team, Heads of Services and relevant managers, Cabinet, the Finance Advisory Committee (previously Finance and Resources Advisory Committee). Senior accountants conduct monthly client liaison meetings with responsible budget holders.

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 the Management Team, Cabinet Members, and Advisory Committees.

e) Arrangements for Partnerships

The Council enhances value for money in 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. Decisions to enter into partnership working are supported by a detailed business case and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has partnerships in place for the delivery of services relating to Licensing, Revenues and Benefits, Audit and Anti-Fraud, Environmental Health and Building Control.

f) Risk Management

In January 2015 an internal audit of the new arrangements for risk management brought in during 2013/14 was carried out and assessed the new arrangements as “Good” for both Framework and Effectiveness.

g) Relationships and Ethics

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 Councils 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 relevant 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. The Council has designed, delivered and developed a Leadership Masterclass, a bespoke training programme for Managers of all levels within the organisation. The programme consists of 38 modules delivered covering key aspects of modern day management, empowering managers to manage, support and develop their staff to the best of their ability

i) Monitoring Officer

The Council’s Monitoring Officer oversees compliance with laws and statutory obligations. The Monitoring Officer reports to the Council’s Standards Committee. Regular meetings between the two Officers form part of the Council’s governance arrangements. The impact of changes regarding the Council’s new senior management structure was reviewed in 2014/15 by internal audit and the opinions for both framework and effectiveness were assessed as good.

j) Anti-fraud and Corruption

The Council has put in place a fraud and corruption policy, including a new whistle-blowing policy introduced in 2015, which is 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.

The Council's Benefits Fraud investigations team is due to be transferred over to the Department for Works and Pensions (DWP) in February 2016 under the new arrangements introduced by central government. Proposals for an in-house anti-fraud arrangement, post DWP transfer, which will retain experienced staff, have been considered by management and are currently being discussed with the affected staff.

5. Role of the Section 151 Officer

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 to the Chief Executive. An internal audit review of the new senior management structure was completed in 2014/15, as part of the 2013/14 Annual Governance Statement Action Plan. The review concluded that the current arrangements were effective.

5.2 CIPFA has issued a Statement on the Role of the Section 151 Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate the role of the Section 151 Officer. The Council has considered this Statement, and believes that, during the financial year 2014-15, it has complied fully with the governance requirements of the 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 Section 151 Officer as the Statement recommends.

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 Chief Officers 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.

6.2 The External Auditor concluded that, for 2014-15, 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 from the current work being undertaken by the External Auditor.

6.3 Internal audit reports are regularly distributed to the Audit Committee and an Annual Internal Audit Report presented to the Council's Audit Committee, which sets out the Audit, Risk and Anti-Fraud Manager's overall opinion on the Council's internal control, risk management and governance arrangement. The opinion for 2014/15 indicates that the Council's control environment is effective.

6.4 The Head of Paid Service and Section 151 Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the relevant Codes of Conduct. The issues raised in last year's governance statements and action plan have been all been satisfactorily addressed, or where appropriate, re-stated in this year's AGS as areas to be addressed going forward.

6.5 The Council continues to review and improve its governance arrangements on a continuous basis, as appropriate. Improvements during 2014-15 include the following:

- i). The Council's Monitoring Officer oversees compliance with laws and statutory obligations.
- ii). The Monitoring Officer reports to the Council's Standards Committee and Governance Committee as well as Legal and Democratic Advisory Committee. A Monitoring Officer Report is produced each year which is presented to Full Council.
- iii). Regular meetings between the two Statutory Officers who are responsible for the three Statutory Functions within the authority this being Monitoring Officer, S.151 Officer and Head of Paid Service Function. These meetings form part of the Council's governance arrangements.
- iv). The impact of changes regarding the Council's new senior management structure was reviewed in 2014/15 by internal audit and the opinions for both framework and effectiveness were assessed as good.
- v). As a result of The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 all councils were required to adopt the practice of recorded votes on any decision relating to the budget or council tax at the relevant budget setting meeting of Full Council. As a result of such legislation Standing Orders were amended so as to include provisions requiring recorded votes at budget meetings and this was approved by Council in April 2014.
- vi). The recording of all meetings of Full Council, Development Control and Licensing Hearings was introduced by Full Council in November 2014. In addition following the implementation of The Openness of Local Government Bodies Regulations 2014 the Council's Standing Orders were amended to allow the public to report all meetings via social media of any kind such as tweeting, blogging or via Facebook including the filming of meetings.
- vii). Following the introduction of the Local Government (Electronic Communication) (England) Order 2015 Members were given the option of receiving agendas electronically by nominating an electronic address for delivery.
- viii). The Governance Committee were tasked in April 2014 with continuing to investigate future Governance arrangements in general to allow the newly elected administration in 2015 to consider future governance. Several reports were produced for the Governance Committee during 2014/15 concentrating on the advantages and disadvantages of the

Committee System and the Leader and Cabinet System. This work is on-going and is on the work plan for the Governance Committee in 2015-16.

iX) The issues set out in last year's Governance Statement have been addressed, with the exception of the issue set out in 7.1 below. The updated action plan for 2013/14 is attached as annex to this report.

7. Significant Governance Issues

7.1 It is the recommendation of the Statutory Officers of the Council to include in this statement, that the Health and Safety Executive (HSE) have initiated two charges under the Health and Safety at Work Act 1974 following an incident on the 13th September 2010 where a motorbike rider collided with Sevenoaks District Council road sweeper lorry. The Council is represented by its insurers and are receiving legal representation.

Certification

Signature:Date:.....

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

Signature:..... Date:

on behalf of Sevenoaks District Council

Dr. Pav Ramewal Chief Executive and Section 151 Officer June 2015