

5. ANNUAL GOVERNANCE STATEMENT 2012/13

REPORT OF: Peter Stuart, Head of Finance
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision No

Purpose of Report

1. This report presents the Annual Governance Statement to the Committee for approval.

Recommendations

2. **That the Annual Governance Statement is approved for inclusion with the Financial Statements.**
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Background

3. The financial statements present a picture of the Council's financial position over the year. The Annual Governance Statement will be included as part of the statements and it sets out the authority's approach to the risk environment. This is explained within the introductory paragraphs.
4. The Statement has been prepared after a review of the internal control environment and is then signed off by the Leader and Chief Executive.
5. Members' attention is drawn to Section 5 of the Statement and should be reassured that the Census Joint Committee is receiving detailed updates on the Disaster Recovery plan workstream. These reports are available on our website.

Policy Context

6. Receiving the report and following the recommendation enables the Council to fulfil its statutory obligations.

Other Options Considered

7. None

Financial Implications

8. None.

Other Material Implications

9. None.

Equality and Customer Service Implications

10. This report has no such implications.

Background Papers

None.

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1. Scope of responsibility

Mid Sussex 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 including arrangements for the management of risk.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives 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, 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.

The governance framework has been in place at the Council for the year ending 31 March 2013 and up to the date of approval of the Statement of Accounts.

3. The Council’s governance framework

The Council’s Constitution, which is updated annually, sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and any powers delegated to other bodies such as the Census Joint Committee.

Decision-making powers not reserved for councillors are delegated to the Chief Executive and Heads of Service. The Monitoring Officer ensured that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst members.

The Scrutiny Committees are dual role in that they offer advice to Cabinet both collectively and to Cabinet members individually and will scrutinise decisions made by the Cabinet, Individual Cabinet members, and Executive decisions taken by officers and published on the Members’ Information Service. Whilst there have been no call-ins in the last year, the structure exists within which they can be made.

The overall budget and policy framework of the Council is set by the Council and all decisions are made within this framework. The Council's overall policy is represented through the Corporate Plan, which is a combination of service and financial plans.

The Corporate Plan is a key reference for the Medium Term Financial Plan, which enables the Council to forecast forward and make best use of financial, human, technological and other resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. At the broadest level, the Council also works with a number of key strategic partners through the local strategic partnership group of organisations.

From the Corporate Plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. More detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money, and performance is monitored and managed at every level on a regular basis.

The Council also monitors its performance through feedback from its residents and service users. An analysis of complaints raised under the Council's Corporate Complaints Policy is regularly reported and considered by the Management Team. The Council also has a Whistleblowing Policy, which encourages staff to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The Council's financial management arrangements conform to the standards of the Chartered Institute of Public Finance and Accountancy (CIPFA), and have regard to the 'Statement on the Role of the Chief Financial Officer in Local Government'. The Head of Finance has statutory responsibility for the proper management of the Council's finances and is a key member of the Management Team. The six Heads of Service with the Chief Executive and Assistant Chief Executive sit as a Management Team and may further devolve decision making to Business Unit Leaders through written schemes of management. The Head of Finance will also provide detailed finance protocols, procedures and guidance and training for managers, staff and Members.

The Council's Risk Management Strategy ensures proper management of the risks to the achievement of the Council's priorities and helps decision-making. In the Council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc) control the risks of fraud or error, and this framework is reviewed by Internal Audit. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The Council's legal services and procurement teams ensure that all are fit for purpose and the Council's interests are protected.

The Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the Council's governance arrangements, including the associated control environment, the authority's financial (and non-financial) performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

4. Review of effectiveness

Mid Sussex 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 the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and by comments made by the external auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- The Council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process;
- The work of the corporate Joint Procurement Board partnered with Horsham DC and Crawley BC;

The work programme of the Census Joint Committee and any audit reports from our Census partners that may impact upon services delivered via that governance structure;

- The Council's internal audit coverage, which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Chief Internal Auditor's opinion on the overall adequacy of the Council's internal control framework, which is reported in his annual report;
- The Chief Internal Auditor's annual report on anti-fraud and corruption activities;
- The annual review of the effectiveness of the internal audit function;
- External audit review of the work of the internal audit service and comment on corporate governance and performance management in their Annual Audit Letter and other reports;
- Workforce assessments and accreditation where appropriate and affordable;
- The External Auditor's opinion on the Council's financial statements;
- The work of the Audit Committee, which reviews the outcomes from the annual audit plan and the annual report of the audit function;
- The work of the Scrutiny Committees;
- An annual review of the constitution by the Constitutional Review Group, which recommends amendments, where appropriate, to the Constitution for agreement by the Council;
- Work of the Standards Committee, which includes monitoring the operation of the members' Code of Conduct and the Member and Officer Protocol.

5. Significant governance issues

The review, as detailed above, provides good assurance of the effectiveness of the Council's system of internal control. There have been no governance issues identified during the year that are considered significant in relation to the Council's overall governance framework but we have contributed to work on the management of the shared Census ICT service led by our partner Horsham District Council. This has identified a need for a detailed and tested backup and disaster recovery plan for the service which is currently being specified and will be implemented by Horsham as the provider of the service. Other specific opportunities for improvement in governance and internal controls identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.



Cllr Garry Wall
Leader of Council
June 2013



Kathryn Hall
Chief Executive
June 2013