Huntingdonshire
DISTRICT COUNCIL

# Annual Governance Statement

2012/2013

# Huntingdonshire District Council by numbers

The Council provides a vast range of services to the 171,000 residents and 7,700 businesses that are based within the District.

508 interventions to address poor housing conditions

1,216 inspections and visits of food premises

1,475 planning applications dealt with

38,800 people took part in a Sport & Active lifestyle activity during 2012/13

79,500 website visitors each month

£750,000 paid out weekly in Housing Benefit payments

882,000 miles travelled (17,000 miles per week) by our fleet of 22 refuse vehicles each year

Over 2 million visits to the 5 One Leisure sites, including 400,000 made by school children

In delivering these services we only had 2 complaints considered by the Ombudsman

# How has this Statement been prepared?

The review of the governance framework commenced in June 2013, when an Officer group (comprising of the Chief Financial Officer, Monitoring Officer, Internal Audit Manager and Corporate Policy and Performance Manager) reviewed the Council's compliance with the Code of Corporate Governance. *

An informal meeting of the Corporate Governance Panel, held on 1 July 2013, considered, discussed and challenged the evidence and assurance provided by the Officer group against the Code of Corporate Governance .

Following that review, the Panel identify those significant governance issues that they considered should be included in this statement. These issues were approved at the 24 July 2013 Corporate Governance Panel meeting.

The Corporate Governance Panel met again on 19 August 2013 and reviewed the draft statement. Issues identified in the Internal Audit annual report and arising from the work of the External Auditor were also discussed and considered.

The final statement was considered and formally approved by the Corporate Governance Panel at its meeting on 26 September 2013.

** The Code was formally approved by the Council in September 2003 and is closely aligned to public sector best practice, namely the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.*

## Corporate Governance webpage

http://tinyurl.com/corpgovevidence

# Introduction by Joanne Lancaster

## Managing Director

*"If management is about running the business, governance is about seeing that it is run properly."* [1]

Good governance structures underpin everything that we do as a Council, from the way we deal with a complaint, to being courteous when we speak on the phone.

Like much of the public sector the Council is facing a series of financial challenges. Difficult decisions will need to be made.

To make change and still continue to provide good levels of service is a constant challenge. Residents and businesses need to know that the Council has sound procedures and processes in place that seek to ensure that decisions are made that comply with applicable laws and regulations and proper governance practices.

This annual governance statement provides an overview of the Council's key governance systems and explains how they are tested and the assurance that can be relied upon to show those systems are working effectively.

Whilst I have only been Managing Director since July 2013 I am of the opinion that the Council's governance systems are generally operating effectively. Improvements to systems can always be made. This statement identifies a number of opportunities for improvement and the approach we intend to take to manage these.

**Joanne Lancaster**
Managing Director
Huntingdonshire District Council

*[1] Robert Tricker. An expert in corporate governance who wrote the first book to use the title Corporate Governance in 1984*

# What is Corporate Governance?

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that its use of public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council's governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it accounts to, engages with and leads the local community. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

# How do we know our arrangements are working?

To monitor the effectiveness of the Council's corporate governance systems, the Corporate Governance Panel review each year the governance framework, the basis of which they agreed in 2009 and is shown in the diagram below.

This statement builds upon those of previous years. It summarises key governance mechanisms and records the significant governance issues that need to be addressed over the coming year. The full Code of Corporate Governance can be found on the Council's website. See links on page 4.

This statement allows the Council to meet the requirements of the Accounts & Audit (England) Regulations 2011, which requires that the Council prepares an annual governance statement.

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

# Governance Framework

# The Council
## How it works

The Council is composed of 52 Councillors with one third elected three years in four. The Council is responsible for the administration of the election process at European, National, County, District and Parish level as well as elections for the Police and Crime Commissioner for Cambridgeshire. District elections were last held on 3 May 2012 with by-elections on 21 June 2012 and 2 May 2013. No issues were raised about the conduct of those elections by either a candidate or an elector.

### *Insight*

The Council is tasked with maintaining the register of electors. The Returning Officer is personally responsible for organising and running elections. The Council's Managing Director is the Returning Officer. In the eyes of the public, the management of elections is seen to be a function of the Council. This reputation risk has to be properly managed.

All Councillors meet together as the Council. Meetings are normally open to the public. The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and the Codes of Conduct for Members' and Employees'.

The Council is required to appoint a Monitoring Officer who, in addition to leading an annual review of the Constitution to ensure it remains fit for purpose, also advises on compliance with the Constitution and ensures that decision making is lawful and fair. The Head of Legal & Democratic Services has been appointed to this statutory post. He has been involved in reviewing the Code of Corporate Governance and preparing this statement from its early stages. He is satisfied that the arrangements in place are working effectively and that no matters of significance have been omitted from this Statement.

### *Insight*

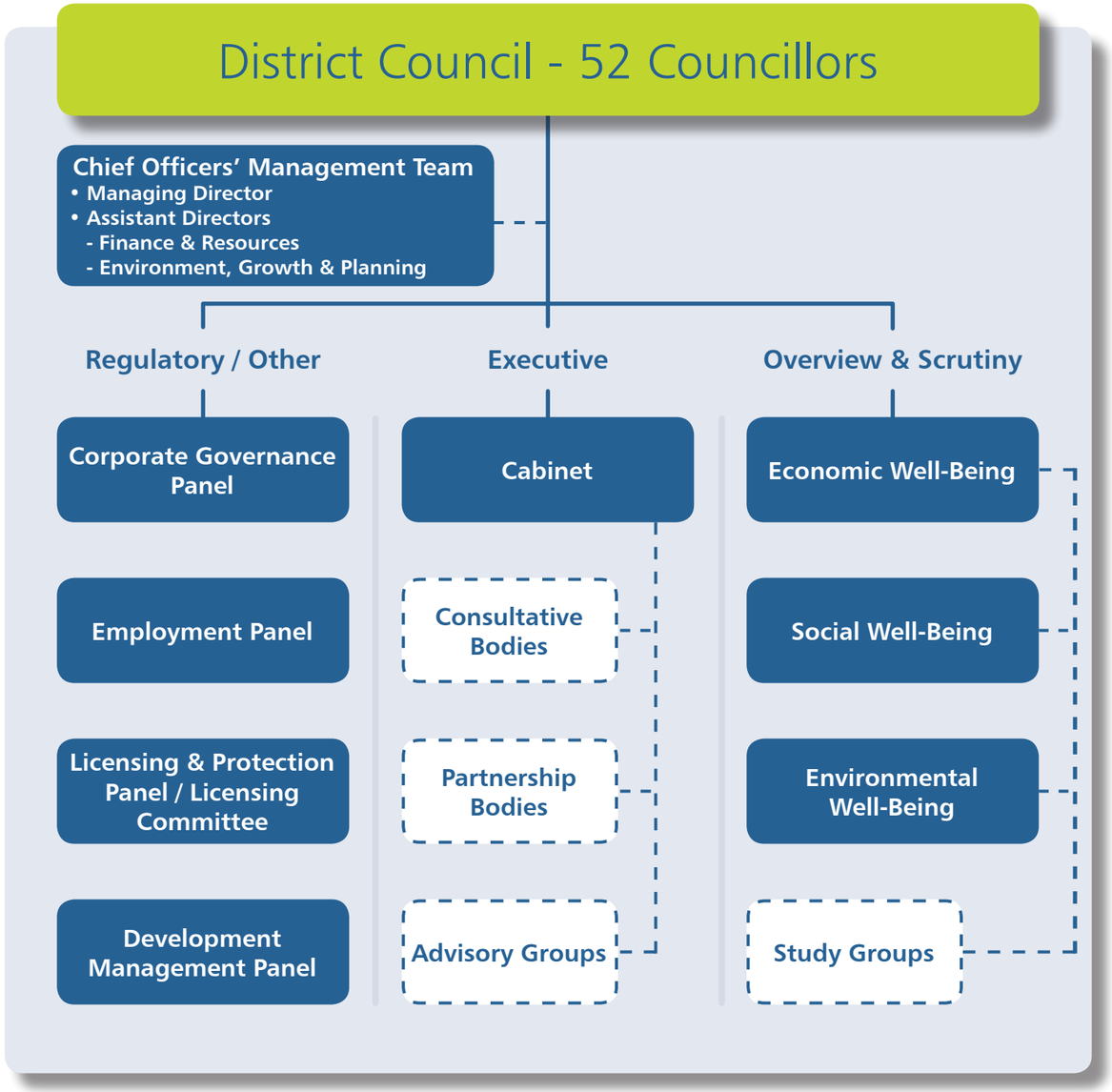
Central to the Leadership Direction is the following vision statement: Huntingdonshire District Council will continue to improve the quality of life in Huntingdonshire by working with our communities and partners to achieve sustainable economic growth whilst providing excellent value for money services that meet local needs within a balanced budget.

In December 2012 the interim management arrangements introduced in August 2011 following the retirement of the Chief Executive were reviewed. A decision was taken to combine the two Managing Director posts into one, and create two new Assistant Director posts. Joanne Lancaster took up the Managing Director post in July 2013.

During 2012 the Council reviewed its corporate objectives. This review led to the formal adoption, in November 2012, of a document that sets out its key themes and aims. This is known as the Leadership Direction. The Leadership Direction doesn't cover everything we do or all the services that we provide, but seeks to focus on those issues that matter most to local residents , the national priorities set by the Government and local social, economic and environmental challenges. The Leadership Direction will be supported by the Council's Delivery Plan - a document that will detail specific service aims, actions and performance measures – this is currently being developed.

Due to the development of the Leadership Direction and Delivery Plan, performance management information has not been reported to Councillors since March 2012. This information has been prepared and reviewed by the Chief Officers' Management Team each quarter. Financial information has continued to be reported to Councillors.

In taking into account the development of the Delivery Plan, consideration has been given as to how the overall performance and governance of the Council can be reported to its stakeholders. Whilst some information is available on the Council's website, it is not easily accessible and so an annual report will be prepared in future years.



# Corporate Governance Panel seeking assurance

The Corporate Governance Panel, as its name suggests, has responsibility for receiving many reports that deal with issues that are key to good governance. It acts as the Council's audit committee.

The table below provides summary information on the areas it has considered.

When considering governance issues, the Panel raised a number of concerns about shortcomings in control systems and processes. The most significant of these were:

- Managers not complying with the Code of Procurement.
- The need to ensure projects were managed appropriately.
- Delays in introducing recommendations made by the Panel.

Action has been taken:

- To ensure compliance with the Code of Procurement, education and training has been delivered to those who are responsible for procuring goods and services. Internal reporting procedures are being changed to improve enforcement and the Code of Procurement is being reviewed and amended.
- A working group is reviewing the corporate guide to managing projects prior to its re-launch
- A progress report that explains what action has been taken to introduce the Panel's recommendations is now considered at each meeting.

Each year the Panel consider how effective they have been in overseeing the Council's governance arrangements. Concern's were expressed by Panel members that they were not being kept sufficiently informed of significant initiatives and changes within the wider field of corporate governance. Information updates on key governance related issues are now provided.

This governance statement is reported to Council once it has been approved. The Chairman of the Panel submits a report to the same Council meeting, that briefly summarises the work of the Panel, so allowing Council to take comfort that key governance processes are being reviewed.

## Corporate Governance Panel: Key Business

| June 2012 | September 2012 | December 2012 | March 2013 | May 2013 | July 2013 |
|---|---|---|---|---|---|
| Approve Internal Audit plan 2012/13 | Approve the 2011/12 annual governance statement (AGS) | Consider External Auditors 2011/12 ISA 260 report | Note progress on issues from 2011/12 AGS | Note outcome of effectiveness review of Overview & Scrutiny Panels | Public engagement: filming/ recording at Council meetings |
| Review External Audit plan for 2011/12 | Consider outcome of reviews into compliance with the Code of Procurement and 2010/11 final accounts process | Considered External Auditors Annual Audit Letters for 2010/11 and 2011/12 | Approve changes to Constitution. Endorse employee consultation arrangements | | Consider Internal Audit annual report and opinion, Year June 2013 |
| Update on the 2010/11 & 2011/12 statement of accounts | Consider External Auditors 2010/11 'report to those charged with governance' and action plans (ISA 260) | Review delivery of Internal Audit plan | Review External Audit plan for 2012/13 and 2011/12 grant certification | | Note internal audit review of appointment of professional advisors |
| Considered counter fraud and corruption measures | Approve the 2011/12 statement of accounts | Approve expansion of benefit fraud teams work into non-welfare areas | Note the progress in introducing external audit recommendations | | Approve changes to regulation of investigatory powers polices |
| Endorse changes to Member Standards/Code of Conduct | Consider Internal Audit Manager's annual report and opinion, Year August 2012 | | Approve Internal Audit plan 2013/14 and Internal Audit Charter | | |
| Note Interception of Communications Commissioner report | Review the risk register and management of risks | | Review the risk register and management of risks | | |
| **Review annual reports** | | | | | |
| • Complaints and decisions of Local Government Ombudsman<br>• Accounting policies | • FoI, EIR & DPA requests and improvement action plan*<br>• Panel's own effectiveness<br>• Effectiveness of the internal audit service | • Corporate Business Continuity<br>• Benefit Fraud Investigation Team & whistleblowing<br>• Risk management strategy | • Council's Single Equality Scheme & Equality Impact Assessment<br>• Accounting policies | • Effectiveness of the internal audit service | • Complaints and decisions of Local Government Ombudsman |

* Freedom of Information, Environmental Information Regulations, Data Protection Act

# Effectiveness review of Overview & Scrutiny Panels

The Corporate Governance Panel, having noted the benefits that it had gained from reviewing its own effectiveness, felt that it would be beneficial for other Panels and Committees to undertake similar reviews.

An effectiveness review of the three Overview & Scrutiny Panels has been undertaken. It is important that Overview & Scrutiny Panels act effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Cabinet.

The review was led by the Internal Audit Manager. The Panels considered themselves to be acting effectively in discharging their responsibilities and fulfilling their terms of reference. A number of actions to further improve effectiveness were identified and an action plan agreed.

One of the key message to come out of the review – and which also received the support of the Corporate Governance Panel – was that the Council was not sufficiently engaged with the public and other stakeholders.

Whilst the 'Shape Your Place' website provides opportunities for individuals to contact the Council, the loss of the Neighbourhood Forum's was considered to be detrimental to overall engagement. The Cabinet have recognised the concerns that have been raised and are considering proposals to introduce Local Joint Committees. These Committees will provide a forum for discussion and decisions on matters of local concern.

Communication methods are changing and it is also recognised that the use of social media as a means of reaching out and engaging stakeholders will become a key engagement method.

The Corporate Governance Panel wish effectiveness reviews to continue; the Licensing & Protection Panel/Licensing Committee will be the subject of the next review.

# Managing key risks

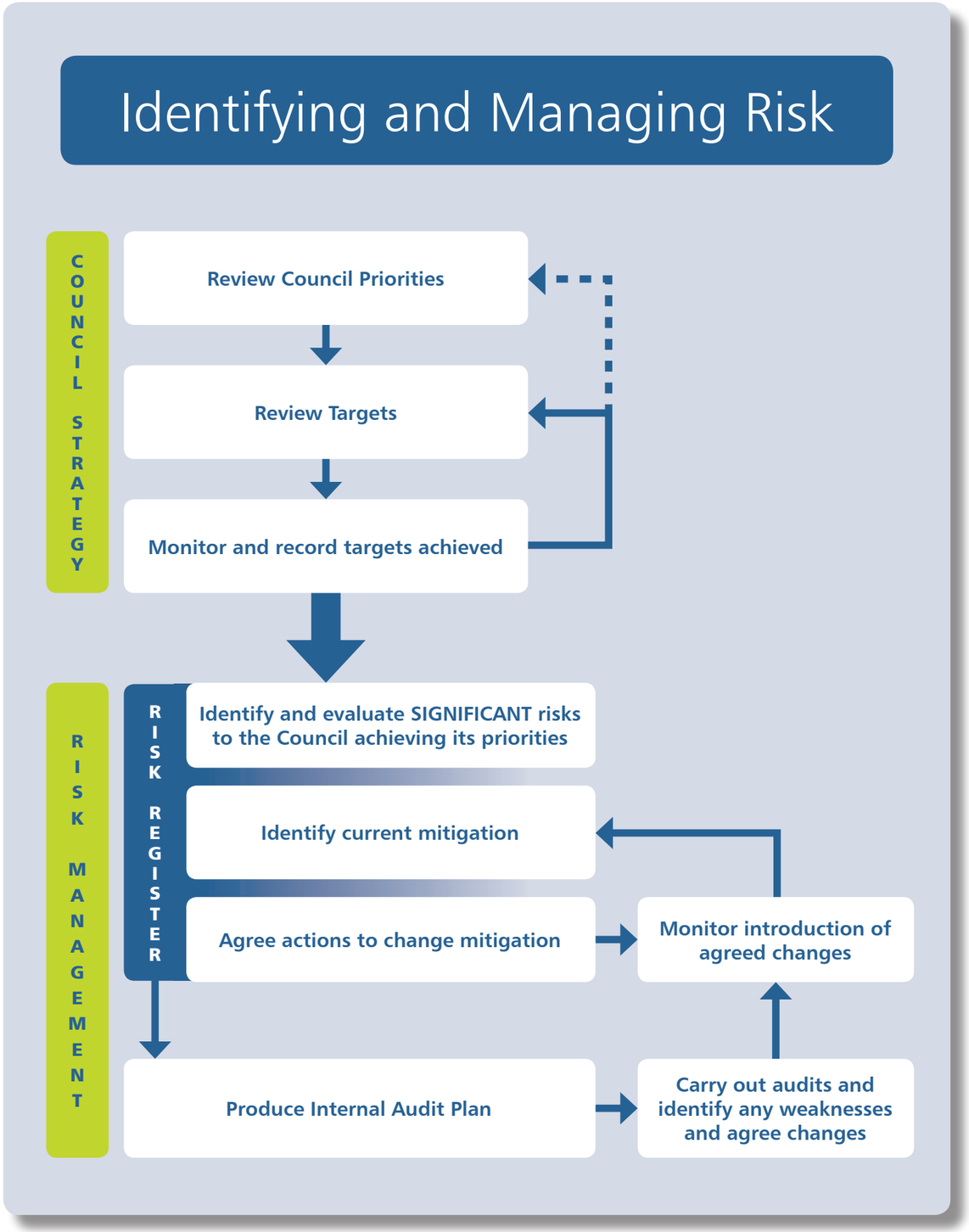
All Councillor's and Manager's are responsible for ensuring that risk implications are considered in the decisions they take.

# Risk Management Strategy

The Council has a risk management strategy. It was reviewed by the Corporate Governance Panel in December 2012 to ensure it remains appropriate and reflects the approach the Council wishes to take to the management of risk.

The successful delivery of the Leadership Direction depends on the Council's ability to tolerate and manage risk rather than eliminate it altogether. A certain amount of risk taking is inevitable.

The following diagram outlines the Council's approach to identifying and managing risk.



# Risk review process

Significant corporate and operational risks are identified and recorded within a risk register. All risks are assigned owners.

Senior Managers review the risk register on a quarterly basis and are required to positively state the level of assurance they can place upon the controls that mitigate risks. This information is reported to the Corporate Governance Panel twice a year and is a key component of the Council's overall assurance framework.

Where residual risk exceeds the 'risk appetite', Managers are required to consider whether cost effective actions that will reduce the likelihood and/or impact of the risk occurring can be introduced. The Cabinet review these action plans and take a view as to whether the risk should be accepted or mitigated. Seven action plans were considered by the Cabinet during 2012/13.

Copies of the risk management strategy and reports considered by the Corporate Governance Panel are available on the Council's website: http://tinyurl.com/riskmanstr

The Council's principal risks are set-out below.

| Risk | Effect upon the Council |
|---|---|
| Reductions in government funding and the failure to deliver planned savings leading to the need to make alternative financial savings in the short term. | Non-statutory services are reduced or stopped. Statutory services are reduced to minimum levels. |
| The Code of Procurement is not followed correctly, leading to accusations of irregular practices and the challenging of contract award decisions. | Civil action against the Council, leading to significant costs/fines and reputational damage. |
| Council's former Insurer is unable to 'run-off' outstanding liabilities from reserves leading to a call on the Council to meet funding shortfall | Maximum liability estimated to be £600k. |
| Council's funds not invested appropriately leading to losses or poor returns resulting in unexpected service cuts. | Loss of the value of the investments and significant reduction in interest received. |
| Increased numbers of applicants on the housing register and changes to local housing allowances leads to less people being housed; longer stays in temporary accommodation and increased use of bed and breakfast. | Continued uncontrollable pressure upon the homelessness budget. |
| ICT security is breached causing both the loss of data and a loss of confidence in the integrity of the data being held. | Reputational damage, cost of rectifying weakness, possible significant fines. |
| A member of the public is seriously injured, killed or put at other risk whilst visiting or using Leisure Centre facilities. | Prosecution, reputational damage, reduction in Leisure Centre use and income. |

# Managing the risk of fraud

The Council has a corporate fraud team that investigates both welfare and non-welfare fraud.

In June 2012, the Corporate Governance Panel considered a report that summarised the key messages contained in the National Fraud Authority (NFA) "Fighting Fraud Locally' report. The Panel set-up a Working Group to consider the risks and implications arising from the report. The Panel supported the decision to temporarily refocus fraud team resources from welfare fraud and towards the non-welfare fraud areas highlighted in the NFA report.

In April 2013 the National Fraud Authority requested that the Council create a 'Fraud Hub' for Cambridgeshire. The Chartered Institute of Housing and Dept for Communities & Local Government also requested the Council develop a 'Tenancy Fraud Forum' for Cambridgeshire. Both approaches were made due to the innovative approach that the Council takes to combat fraud. External funding has been secured to allow these initiatives to continue until 2015.

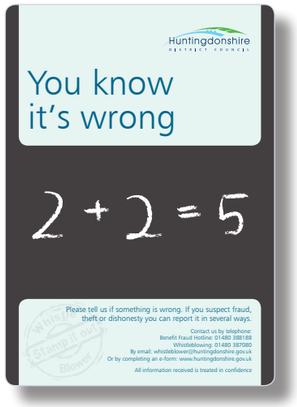
It is expected that the fraud hub and forum will have a direct impact upon one of the Council's key risks – reducing homelessness – by identifying, recovering and making available social housing to those that are in greatest need.

To act as a deterrent to fraudsters, the Council issues press releases in respect of all benefit fraud cases that it successfully prosecutes and maintains a 24/7 telephone line to allow the public to raise concerns about possible welfare frauds. There is also a 'whistleblowing' telephone hot-line and a dedicated email address and web-form that allows people to raise more general concerns about 'wrong-doing'. Due to the nature of these concerns , they are not made public. A report detailing both the activity and performance of the fraud team and the general nature of the whistleblowing allegations received is presented to the Corporate Governance Panel each year. The report is available on the Councils website, or from the links below:

## *Insight*

A 'Whistleblowing' policy is in place. The policy is reviewed annually and updated as and when required to bring it in line with best practice. The Council is committed to the highest standards of quality, probity, openness and accountability. As part of that commitment it encourages employees and others with serious concerns about any aspects of the Council's work to come forward and make those concerns known. Full details of how concerns are dealt with can be found on the Council's web pages.

http://tinyurl.com/fraud-team-2012



# Chief Financial Officer

The Council has appointed a Chief Financial Officer. This is a statutory post, responsible for delivering and overseeing the financial management arrangements of the Council. The Assistant Director (Finance & Resources) is the Chief Financial Officer and is a member of the Chief Officers' Management Team. He has line management responsibility for the Accountancy team. The role conforms with the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Chief Financial Officer has been involved in reviewing the Code of Corporate Governance and preparing this Statement from its early stages. He is satisfied with the arrangements that are in place for managing finances and with the exception of the need to further improve budget management (as outlined below), and Managers compliance with the Code of Procurement, considers the arrangements are working effectively and that no matters of significance have been omitted from this Statement.

# Managing finances

Arising out of last year's governance review, key performance areas relating to budget management and the achievement of savings were introduced for Heads of Service.

Increased accuracy in budgetary control is dependent on increasing managers skills. Mangers have been reminded by the Chief Financial Officer that they need to carefully manage their budgets. As a result, the 2012/13 budget was underspent by £1m.

Whilst regular meetings are held between budget holders and their accountants, there is reluctance by some budget holders to confirm likely underspending early in the year or be open about the expected financial savings that will be achieved. Consequently, the overall financial position cannot be estimated with great certainty until late in the year. As the financial pressures on the Council increase, action is being taken to increase the level of budget monitoring by managers so as to improve the accuracy of financial reporting.

# Internal and External Audit assurance

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and External Auditors – PricewaterhouseCoopers LLP.

# Internal Audit

The Corporate Governance Panel agreed that the Public Sector Internal Audit Standards (PSIAS) should be followed from April 2013. These have been developed specifically for public sector organisations. The Panel also approved an Internal Audit Charter – this sets out the internal audit role and its responsibilities and clarifies its independence.

Internal audit are required by regulation to review how they work each year. Corporate Governance Panel considered that review in May 2013. They noted that a number of improvements to current internal audit procedures had been identified and an action plan has been agreed. Panel decided that there were no issues of 'non-conformance' with the PSIAS that needed to be included in this statement.

Good practice suggests that internal audit should also be reviewed against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit. This has not been done. The PSIAS are considered sufficiently challenging. An independent review of the internal service is to be undertaken during 2013/14. This will identify any opportunities for further improving the service.

One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit Manager. In respect of the 12 month period ending June 2013, the opinion expressed was that the "Council's internal control environment and systems of internal control provide limited assurance over key business processes and financial systems".

A limited assurance conclusion was given due to the serious concerns identified with:

- non-compliance with the Code of Procurement; and
- the lack of frequent and formal challenge of the value for money obtained from completed projects.

In addition, a limited number of technical IT audit reviews had been completed and the Internal Audit Manager was unable to provide any assurance in this area.

Actions have been agreed to deal with all three areas noted above. Concerns with non-compliance with the Code of Procurement has resulted in this matter being included as a significant governance issue.

From September 2012, reviews of the main financial systems were undertaken on a 'continuous auditing' basis. This means that key controls are reviewed each quarter, rather than once a year. This approach has been introduced on a trial basis. If it proves to be effective then it will be introduced permanently. No matters of significant concern have been identified from these reviews.

# External Audit

The statutory financial statements for 2012/13 have been audited and an unqualified opinion has been issued.

Problems were encountered in the previous two years with the timely preparation of the financial statements. Last year's governance statement included as a significant issue, the requirement to produce the statutory accounts on time. This has been achieved.

The external auditors have also issued an unqualified value for money opinion for 2012/13.

In forming this opinion, the external auditors took into account the procurement and project management issues referred to in this statement and the need to further improve budgetary control and monitoring of the financial savings plan. Comments were also made about the transparency of the process that led to the decision to outsource the human resources, payroll and workforce development service in May 2012 and the subsequent monitoring and delivery of the service.

The Managing Director recognises that the Council can improve the way in which it manages the outsourcing of services and the project management tool-kit that is being developed will assist with this.

# Significant Governance Issues

The progress made on dealing with governance issues previously identified is shown below.

## Review of pay systems

Work continues on the pay review. Job evaluation and moderation has been completed. Work on pay modelling and the overall pay and grading framework is underway. It is anticipated that the new pay system will be introduced from April 2014.

## To ensure statutory accounts are produced on time

The statutory deadlines have been achieved. The draft financial statements for 2012/13 were presented to the external auditor to review prior to 30 June 2013. They were audited and approved by the external auditor prior to the 30 September deadline.

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following issues, as highlighted in the statement, have been identified for improvement.

| Key Improvement Area | Lead Officer | To be delivered by |
|---|---|---|
| Develop the themes and aims contained in the Leadership Direction through Service Plans, performance measures and reporting and links to employees key performance targets. | Managing Director | April 2014 |
| Improve budget holders financial competency and awareness for good budgetary control and management. | Accountancy Manager | April 2014 |
| Reinvigorate engagement with the Huntingdonshire Strategic Partnership through the Huntingdonshire Matters process to create a vision around collaborative working; and | Corporate Team Manager | April 2014 |
| Introducing an annual report from the 2013/14 financial year to be published alongside the statutory accounts. | Managing Director | September 2014 |
| Introduce a project management tool-kit, that can be applied to projects across all levels of the authority, to improve the management and delivery of projects. | Service Manager, Information Management Division | December 2013 |
| Continue to educate and train employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement. | Managing Director | March 2014 and on-going |

Councillor Jason Ablewhite
Executive Leader

Joanne Lancaster
Managing Director

Signed on behalf of Huntingdonshire District Council

*"Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations."*

*Mervyn King (Chairman: King Report on Corporate Governance)*

Huntingdonshire
DISTRICT COUNCIL

# Annual Governance Statement

2012/2013

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