

REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2018/19

25 JULY 2019

REPORT OF CABINET MEMBER: CLLR CUTLER – PORTFOLIO HOLDER FOR FINANCE AND RISK

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WARD(S): ALL

PURPOSE

This report sets out the proposed Annual Governance Statement for 2018/19 and the proposed actions that will be undertaken during the coming year to address the issues arising.

RECOMMENDATIONS:

1. That the Audit Committee approves the Annual Governance Statement for 2018/19 as set out in Appendix 1
2. That the issues arising and proposed actions identified in Appendix 1 be noted and that progress against the actions be brought back to the Audit Committee in six months time.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 The Annual Governance Statement is a statutory document and integral to the governance framework at the Council that supports the achievement of the outcomes included in the Council Strategy.

2 FINANCIAL IMPLICATIONS

- 2.1 There are no direct financial implications. Where further work is required to respond to the issues identified, any additional financial resources required to implement identified improvements will be raised separately or through the budget process.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Annual Governance Statement is a statutory document which explains the processes and procedures that are in place to enable the Council to carry out its functions effectively. Local authorities in the UK are required to prepare the Statement in accordance with proper practices and the Council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework.

- 3.2 The necessity to confirm with these Regulations and the governance framework is recognised accurately in this report.

- 3.3 There are no direct legal implications. Where further work is required to respond to the issues identified, any additional legal resources required to implement identified improvements will be raised separately or through the budget process.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 The Portfolio Holder for Finance and Risk and Chairman of Audit and Governance Committee have been consulted on the content of the report and the issues that are to be included in the Annual Governance Statement.

- 6.2 The internal Corporate Governance Group consisting of officers has also been consulted on the content of the report.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None

8 EQUALITY IMPACT ASSESSEMENT

8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i>	n/a	n/a
<i>Community Support</i>	n/a	n/a
<i>Timescales</i>	n/a	n/a
<i>Project capacity</i>	n/a	n/a
<i>Financial / VfM</i>	n/a	n/a
<i>Legal</i>	The Annual Governance Statement (AGS) is a statutory document required by the Regulation of the Accounts and Audit Regulations 2015	The annual review of the effectiveness of the system of internal control supports the Council to identify and correct control weaknesses.
<i>Innovation</i>	n/a	n/a
<i>Reputation</i>	The preparation and publication of the AGS is a fundamental element of the Council's governance framework	Having a robust AGS and governance framework provides the assurance that the Council is delivering good governance.
<i>Other</i>	n/a	n/a

11 SUPPORTING INFORMATION:

- 11.1 The Council's Constitution delegates power to the Audit and Governance Committee for it to "review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control."
- 11.2 This Report presents the Annual Governance Statement (AGS) for the year 2018/19 for consideration by the Committee.
- 11.3 The Annual Governance Statement is a statutory document which explains the processes and procedures that are in place to enable the Council to carry out its functions effectively.

- 11.4 This Statement provides an assurance to the Council and its stakeholders that good governance procedures and requirements are in place and is produced following a review of the governance arrangements and includes an action plan to address any significant governance issues that have been identified.
- 11.5 The Council must at least annually conduct a review of the effectiveness of its systems on internal control and report its findings in an annual governance statement.
- 11.6 The Statement must be prepared in accordance with proper practices and the Council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework.
- 11.7 The AGS is a valuable means of communication. It enables the Council to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place to manage risks of failure to deliver its outcomes and priorities.
- 11.8 Progress against the actions included in the 2017/18 Annual Governance Statement was reported to this Committee at its last meeting held on 13 June 2019 (Report AG001 refers).
- 11.9 The issues that have been identified as requiring consideration and action during 2019/20 are:

Partnership working – ensuring that the Council has adequate governance arrangements in place to maintain effective partnership working.

Capacity to deliver projects - ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses.

Procurement and contract management - ensuring that the Council maintains a comprehensive, publicly accessible contract register, following its own financial and contract procedure rules and complying with relevant contract management legislation.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[AUD216](#) Annual Governance Statement 2018/19

Other Background Documents:-

None.

APPENDICES:

Appendix 1 Annual Governance Statement 2018/19

Appendix 2 Annual Governance Statement 2018/19 Action Plan

ANNUAL GOVERNANCE STATEMENT 2018/19

1. Scope of Responsibility

- 1.1 Winchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Winchester City 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.
- 1.2 In discharging this overall responsibility, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Winchester City 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 2016*.
- 1.4 This Statement explains how Winchester City Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.
- 1.5 The Council has recently undertaken a comprehensive review of its Constitution which takes into account the recommendation of the Independent Report on Silver Hill and of the Local Government Association Peer Review in February 2017.
- 1.6 The updated Constitution was adopted by Council on 19 March 2019 and became effective from the start of the new municipal year.

2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.

- 2.2 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 Winchester City 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.
- 2.3 The governance framework has been in place at Winchester City Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

3. **The Principles of Good Governance**

- 3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values

Principle 2 – Ensuring openness and comprehensive stakeholder engagement

Principle 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits

Principle 4 – Determining the interventions necessary to optimise the achievement of the intended outcomes

Principle 5 – Developing the entity's capacity, including the capability of its leadership and the individuals within it

Principle 6 – Managing risks and performance through robust internal control and strong public financial management

Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

4. **Methodology for preparing the Annual Governance Statement**

- 4.1 The Annual Governance Statement has been prepared using a process similar to that used in previous years, including;
- Heads of Teams completing a Statement of Assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Managers are asked to declare any weaknesses in the governance

arrangements in their service areas, including overdue and significant internal audit actions.

- An internal control checklist is provided to Heads of Teams to support the completion of their Statement of Assurance. The checklist requires the manager to self assess the arrangements in their team against a number of criteria including risk and performance management, financial control and staffing.
- Review of the annual Internal Audit report and quarterly internal audit progress reports.
- The Council's Audit and Governance Committee considers the draft Annual Governance Statement at its meeting in the spring and is given the opportunity to give its input to the Statement and to consider whether it accurately reflects the Council's control environment.
- The Audit and Governance Committee approves the Annual Governance Statement in the summer and is signed off by the Chief Executive or Section 151 officer and Leader of the Council.

5. The Governance Framework

5.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements and these are underpinned by the core principles of good governance which are:-

- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of Members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability

5.2 The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of Cabinet, portfolio holders, each committee and Members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution and has adopted codes of conduct for both Officers and Members which facilitate the promotion, communication and embedding of proper

standards of behaviour. Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

- 5.3 The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Cabinet /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make decisions under delegated authority. The over-arching policy of the Council is decided by the full Council.
- 5.4 The Scrutiny Committee and Audit and Governance Committee hold Portfolio Holders to account for delivery of the Council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 5.5 The Council engages with its communities through a number of channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 5.6 The Council Strategy is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in service plans. More detailed service plans are drawn up by teams across the Council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.
- 5.7 Progress against the Council Strategy outcomes and budgets is monitored regularly by the Executive Leadership Board and Portfolio Holders. The Scrutiny Committee receives quarterly reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Portfolio Holders also monitor progress in delivery.
- 5.8 The Council has an officer Strategic Leadership Team to monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 5.9 The Council publishes an Annual Financial Report (incorporating the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 5.10 The Council is subject to independent audit by Ernst and Young and receives an Annual Audit Letter reporting on findings. The Council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer

reviews. The Audit Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.

- 5.11 The Council has set out the arrangements for managing risk in its Risk Management Policy which also includes a Risk Appetite Statement and is approved by Cabinet and reviewed annually.

6. Review of effectiveness

- 6.1 The authority has a statutory 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 Heads of Teams who have responsibility for the development and maintenance of a sound governance environment.
- 6.2 Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Acts, and Equality requirements.
- 6.3 The Council has appointed the Strategic Director: Resources as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Strategic Director: Resources is a member of the Executive Leadership Team.
- 6.4 The Council has appointed the Corporate Head of Resources as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 6.5 All Cabinet reports are reviewed by the S151 and Monitoring Officer. All reports to Cabinet are required to demonstrate how the subject matter links to the Council Strategy and highlight resource implications. Officers are also asked to draw out risk, equality, sustainability, management and legal issues as appropriate. Similar procedures are in place for the Scrutiny and Regulatory Committees.
- 6.6 The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council's Standards Committee deals with complaints relating to the conduct of Members.
- 6.7 Members' induction training is undertaken after each election. Members also receive regular updates and training on developments in local government.

6.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

The Council	collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
The Cabinet	receives regular monitoring reports on revenue and capital expenditure and performance.
Audit and Governance Committee	approves the annual audit plan, monitors the internal control environment through receipt of audit reports and this Statement, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts.
External Audit	external audit is provided by Ernst Young LLP. Whilst the external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance following the annual audit of the Council's financial accounts.
Internal Audit	<p>The Southern Internal Audit Partnership provide the Council with an internal audit service which includes the Council's entire control environment. The Head of the Southern Internal Audit Partnership takes account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the Council's objectives.</p> <p>The Internal Audit Plan is based on the Corporate Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Audit Committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in this Statement.</p> <p>There is a requirement for internal audit to undertake an annual self assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual</p>

report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

7. Significant Governance Issues

7.1 The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the coming years and these are:

- **Partnership working** – ensuring that the Council maintains adequate governance arrangements for effective partnership working.
- **Capacity to deliver projects** - ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses.
- **Procurement and contract management** - ensuring that the Council maintains a comprehensive, publicly accessible contract register, following its own financial and contract procedure rules.

8. Assurance Summary

8.1 Good governance is about operating properly. It is the means by which the Council shows that it is taking decision for the good of its residents, in fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the Council would find it difficult to operate services successfully.

8.2 The Internal Audit Opinion for 2018/19 is that the Council's framework of governance, risk management and management control is 'adequate' and that audit testing carried out during the year has demonstrated controls to be working in practice.

8.3 We propose, over the coming year, to take steps to address the above matters 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 during the year and as part of our next annual review.

Signed:

Signed:

Laura Taylor
Chief Executive
Winchester City Council

Councillor L. Thompson
Leader of the Council
Winchester City Council

Dated:

Dated:

Annual Governance Statement 2018/19 – Action Plan

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	Partnership working – the need to ensure that the Council maintains effective partnership working	Annual report covering the performance of key partnerships scheduled to be considered at The Scrutiny Committee.	Corporate Head of Engagement	September 2019	Progress report to Scrutiny Committee
		Review of partnership working included in the Internal Audit plan 2019/20	Corporate Head of Engagement	December 2019	Internal Audit Report and opinion
2	Capacity to deliver projects – ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects	Ensure regular project monitoring reports are considered by the Programme Management Group and that capacity issues are highlighted and remedial action agreed	Strategic Director: Resources	Ongoing	Published monitoring reports
		Ensure that all significant projects follow the arrangements as set out in the Project Governance Policy highlighting requests for additional resources where required.	Strategic Director: Resources	December 2019	Internal Audit Report and opinion
		Internal Audit scheduled to take place during 2019/20 covering Programme and Project Management which will review compliance in relation to live/ ongoing projects.	Strategic Director: Resources	December 2019	Internal Audit Report and opinion
		Maintain and embed into the organisation membership of the Association for Project Management (APM) to promote further consistency of project management across the council	Corporate Head of Strategic Support	September 2019	Ongoing
3	Procurement and Contract Management – ensuring that the Council	Ensure that a comprehensive contract register of all contracts over £5,000 is maintained and available to the public.	Procurement Manager	Ongoing	Published Contract Register

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
	<p>maintains a comprehensive, publicly accessible contract register, following its own contract procedure rules.</p>	<p>Review of platform for publication of public contract register to ensure that it is easy for staff to update and maintain.</p>	<p>Procurement Manager</p>	<p>December 2019</p>	<p>Internal Report and opinion</p>
		<p>Internal Audit scheduled for later in 2019 to ensure that the Council follows its own Contract Procedure Rules as set out in the updated Constitution and is conforming to relevant contract management legislation.</p>	<p>Service Lead (Procurement & Transformation)</p>	<p>Ongoing</p>	<p>Training to be included as part of the corporate training programme</p> <p>Internal audit review and report</p>