

AUDIT COMMITTEE

DATE OF MEETING: 27 OCTOBER 2020

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2019/20

Report of: Joint Chief Executive and Monitoring Officer

Cabinet Member: Councillor: James Radley, Finance and Corporate Services

1 PURPOSE OF REPORT

1.1 To inform the Committee of the content of the final Annual Governance Statement for 2019/20 and seek its approval.

2 OFFICER RECOMMENDATION

2.1 That the Committee approves the Annual Governance Statement 2019/20.

3 BACKGROUND

3.1 The Accounts and Audit Regulations 2015, require Local Authorities to prepare and publish an Annual Governance Statement on an annual basis.

3.2 The Statement attached as Appendix I outlines the governance arrangements that the Council had in place during 2018/19. It has been prepared in accordance with the revised CIPFA/SOLACE Framework “Delivering Good Governance” 2016.

4 FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from this report

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ANNUAL GOVERNANCE STATEMENT 2019/20

1.0 Scope of Responsibility

Hart District Council is responsible for ensuring that it conducts its business in accordance with the law, proper standards and that it has effective stewardship of public money. There is a statutory requirement for the Council to prepare an Annual Governance Statement. This statement has been produced in accordance with the Delivering Good Governance in Local Government Framework 2016.

2.0 The Governance Framework

The Local Code of Corporate Governance sets out the key principles that need to be in place to demonstrate effective governance. The Code takes into account the requirements of the CIPFA/SOLACE Framework Delivering Good Governance 2016.

The Council recognises that it is responsible for ensuring there is a sound system of internal control in place and, that it is accountable for its actions to the community it serves. The Annual Governance Statement explains to the community, taxpayers, service users and other stakeholders what our governance arrangements are and how they have been reviewed during the year.

The CIPFA SOLACE Core Principles of Good Governance are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and, environmental benefits
- Determining the interventions necessary to optimise the achievement of intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
The Councils commitment to good governance.	How it will be achieved	Further information
<p>The Council has clear, transparent decision-making processes which align with our ethical values. Decisions that have been made are lawful and Codes of Conduct set out expectations on behaviour and integrity.</p>	<ul style="list-style-type: none"> ➤ Codes of Conduct are in place for both members and officers. These are used to promote the standards of behaviour expected of both members and employees. ➤ All members are required to sign a declaration of interests annually, these are readily available on our website. They are also required to declare any such interests at public meetings prior to the relevant item being discussed. ➤ Member training is provided and an appropriate induction process was in place during 2019/20 for new members. ➤ The Standards Committee is in place to ensure ethical behaviour is maintained. ➤ Statutory Officers are in post. These being the Joint Chief Executives, one of whom acts as the Head of Paid Service, the other as the Monitoring Officer. The Head of Corporate Services is the Section 151 Officer. ➤ The Constitution and Scheme of Delegation define the roles and responsibilities of officers and members, and set out the rules on how the Council conducts its business. The Constitution is subject to an on-going review by senior management to ensure it is fit for purpose, any amendments will require the approval of Full Council. 	<p>Member Code of Conduct</p> <p>Officer Code of Conduct</p> <p>Declaration of Interest Forms</p> <p>Hart Leadership Team</p> <p>Constitution</p>

	<ul style="list-style-type: none"> ➤ Hart Values are in place and describe how the Council expects employees and members to behave when carrying out their roles and, how we expect our residents and stakeholders to be treated. ➤ The Council has measures to address breaches of its legal and regulatory powers. The Council's Monitoring Officer) has statutory reporting duties in respect of unlawful decision making and maladministration. 	Vision/Values and Governance
Ensuring openness and comprehensive stakeholder engagement		
The Council's commitment to good governance.	How it will be achieved	Further information
<p>The Council exists to serve its residents and local businesses. We work with a wide variety of stakeholders and work effectively in partnership. Consultation and engagement mechanisms are in place.</p>	<ul style="list-style-type: none"> ➤ The Council will work with residents, businesses, communities and partners to help us prioritise what we do, and to have a say over our approach. ➤ During 2019/20 all Council meetings have been conducted in public, decisions have been properly recorded and are in the public domain. This ensures transparency and that the impact and consequences of decisions are clearly stated ➤ Minutes and Agendas for all meetings provide a formal record of decisions that are made and are readily available on our website. 	<p>Council Meetings</p> <p>Council Meetings</p>

Partner/Service Provided	Governance
Capita (Finance, IT, Revenues and Benefits, HR, Payroll, Land Charges, Customer Services).	5 Councils Management Board Central Client Team Inter Authority Agreement
Everyone Active (Leisure Services)	Monthly Management Meeting Leisure Client Officer
Basingstoke and Deane Borough Council (Legal Services, Waste, Licensing, Grounds Maintenance).	Joint Management Board Joint Waste Board with Serco
Rushmoor Borough Council (CCTV, Building Control)	Joint Governance Group

➤ There are regular governance meetings for each of the above workstreams. These meetings ensure services are provided as expected and that roles and responsibilities are clear.

Defining outcomes in terms of sustainable economic, social and environmental benefits		
The Councils commitment to good governance.	How it will be achieved	Further information
<p>The Council works with communities to plan outcomes. In setting policies and strategies, the Council takes account of sustainable economic, social and environmental benefits.</p>	<ul style="list-style-type: none"> ➤ A Corporate Plan is in place and is for the period 2017 – 2022. The plan has been developed with members and outlines the priorities of the Council. ➤ The Council has established a long term vision, covering the period 2020 – 2040. ➤ The Council’s Medium Term Financial Strategy was approved by Cabinet in December 2019. ➤ The Council uses a robust budget process to ensure financial resources are allocated to corporate priorities. ➤ A performance management framework is in place that enables management and members to access information on service delivery and monitor progress against planned objectives, including the Corporate Plan. Service Plans are linked to the Corporate Plan, performance against plans are reported to Overview and Scrutiny. ➤ The Council makes the best use of resources and will always consider different options in the way services are delivered to those that require them. ➤ The Council has set out an Equality Policy which identifies how we will work towards agreed equality objectives. 	<p>Hart Corporate Plan 2017-2022</p> <p>Long Term Vision</p> <p>Budget and Medium Term Financial Strategy 2020-21</p> <p>Hart Performance</p> <p>Equality Policy 2017-2021</p>

	<p>Where required Equality Impact Assessments are also carried out.</p>	
<p>Determining the interventions necessary to optimise the achievement of intended outcomes.</p>		
<p>The Councils commitment to good governance.</p>	<p>How it will be achieved</p>	<p>Further information</p>
<p>The Council takes decisions on interventions based on its clear vision for services, engaging with communities, stakeholders and the expertise of professional service officers.</p>	<ul style="list-style-type: none"> ➤ A performance framework exists to monitor progress on intended outcomes, it is also used to support our decision making process. Performance indicators have been reported to Overview and Scrutiny during 2019/20. ➤ Service Plans are in place that outline clear visions for the services we provide. Service Plans also help ensure resources are allocated to corporate priorities. The content and reporting of service plans was reviewed during 2019/20. ➤ The Council’s budget process ensures financial resources are aligned to corporate priorities. ➤ The Scheme of Delegation clearly outlines who is responsible for the decision making process, and where responsibilities lie for the functions of the Council. The Scheme of Delegation is contained within the Constitution. 	<p>Service Plans 2020/21</p> <p>Constitution</p>

	<ul style="list-style-type: none"> ➤ Decision makers receive objective analysis, information and risk assessments on options that are available to achieve intended outcomes. ➤ The Council makes use of collaborative and joint working, where appropriate. Community benefit and improved resilience is often a key consideration in how services are procured. 	
<p>Developing the entity’s capacity, including the capability of its leadership and the individuals within it.</p>		
<p>The Councils commitment to good governance.</p>	<p>How it will be achieved</p>	<p>Further information</p>
<p>The Council maintains an effective relationship between the Leader of the Council and the Joint Chief executives. We encourage the development of all employees to ensure they are able to carry out their roles effectively.</p>	<ul style="list-style-type: none"> ➤ There are regular meetings between the Joint Chief Executives and the Leader of the Council. Similar meetings take place between Heads of Service and Portfolio Holders. These have ensured an effective line of communication exists between senior managers and members. ➤ Member and Officer training programmes are in place. The Corporate Training Programme is designed to target areas of training that were identified from personal development reviews. ➤ Induction Training has been provided to new employees during 2019/20. Training is also provided to new members. 	

	<ul style="list-style-type: none">➤ Mandatory training has been provided to all employees during the year on GDPR, Cyber Security, Fraud Awareness and Equality and Diversity.➤ Arrangements are in place to maintain the health and wellbeing of the workforce. A Wellbeing Survey was used during 2019/20, to assess whether employees are provided with an appropriate level of support regarding their health and wellbeing.➤ The performance framework includes personal development reviews (PDR's) for individuals. These are linked to both Corporate and Service Plans. Training needs to all employees are taken into account as part of the PDR process.➤ Roles and responsibilities of senior management are clearly identified. The Scheme of Delegation makes it clear the protocols that must be followed for the decision making process.➤ An appropriate protocol is in place to enable Elected Members and Senior Officers to have a shared understanding of their respective roles.➤ The Joint Chief Executives provide regular updates to employees on what is going on within the council. These include a question and answer session.	<p>Constitution</p>
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	<ul style="list-style-type: none"> ➤ A Medium Term Financial Plan is in place which was reported to Overview and Scrutiny in December 2019. The plan outlines the financial outlook for the Council until 2021. ➤ Robust budget monitoring arrangements for both capital and revenue are in place with budget reporting at both senior management and members. ➤ An appropriate culture is in place to help manage the risk of fraud and we take a positive approach to raising fraud awareness. Up to date policies for both Fraud and Corruption and Whistleblowing are readily available to all officers. ➤ A fraud risk assessment was carried out by Internal Audit during 2019/20, to consider the effectiveness of controls in place to manage the risk of fraud. The conclusions of this review are reported to management and the Audit Committee. 	<p>Medium Term Financial Plan</p> <p>Budget Monitoring Report - Cabinet March 20</p> <p>Fraud and Corruption Strategy 2019 - 2021</p> <p>Fraud and Corruption Policy Reviews April 18</p> <p>Whistleblowing Policy July 2018</p> <p>Fraud Risk Assessment - 19/20</p>
<p>Implementing good practice in transparency, reporting and audit to deliver effective accountability</p>		
<p>The Council's commitment to good governance.</p>	<p>How it will be achieved</p>	<p>Further information</p>
<p>The Council has transparent processes in place to ensure our decisions are in the public</p>	<ul style="list-style-type: none"> ➤ Information on the decision making process is readily available to all stakeholders via the Council's website. 	<p>Decision Making Process</p>

<p>domain through our website, financial reporting is robust.</p>	<ul style="list-style-type: none"> ➤ An appropriate committee structure is in place to ensure there is an effective decision making process and, that all relevant information is reported in a timely manner to those making key decisions. Key decisions are subject to an appropriate level of scrutiny. ➤ An Audit Committee is in place. The committee reviews the work of both Internal and External Audit, approving the Statement of Accounts and providing assurance on the Council's governance arrangements. ➤ A Local Code of Corporate Governance is in place and was reviewed in 2019 to confirm it complies with the requirements of The CIPFA/SOLACE Framework 2016. ➤ The Council produces an Annual Governance Statement, which explains how we comply with CIPFA's "Delivering Good Governance in Local Government (2016)". ➤ Internal Audit will review the internal control framework on an on-going basis, in particular the key financial systems. Findings and risks identified during reviews are reported to both senior management and the Audit Committee. ➤ Internal Audit will provide an objective opinion on the internal control framework that was in place for 2019/20. ➤ External Audit will review the arrangements that the Council has in place to secure value for money. They will also provide an opinion on the accuracy and completeness of the Council's Statement of Accounts. 	<p><u>Local Code of Corporate Governance</u></p>
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REVIEW OF EFFECTIVENESS

Management are responsible for ensuring there is an effective governance framework in place, an appropriate review process must also exist to ensure that the framework remains effective. A summary of each element of the review process is:

FULL COUNCIL

- a) Received minutes of Cabinet, Overview and Scrutiny and Audit Committees.
- b) Received regular reports from the Joint Chief Executive on the work of the council.
- c) Responded to regular questions from the public on a wide variety of issues. This demonstrates that the Council does listen to the views of residents.
- d) Approved the annual budget for 2020/21.
- e) Received updates from members who represent the council on outside bodies

CABINET

Cabinet carried out the role of the executive as required by the Council's constitution. It is the main decision making body. In terms of reviewing and monitoring the governance framework during 2019/20 Cabinet has:

- a) Received regular reports throughout the on the Council's financial position.
- b) Approved amendments to policies within its terms of reference. This ensures our policies are up to date and reflect good practice.
- c) In April 2019 Service Plans for 2019/20 were reviewed to ensure the content of plans aligned with the Corporate Plan and priorities.
- d) In September 2019 Cabinet provided input to the Hart Vision 2040.

- e) Reviewed key strategies and policies through the year.
- f) In December 2019 reviewed the Medium Term Financial Strategy for 2020/21.
- g) In February 2020 Cabinet approved the budget for 2020/21.

OVERVIEW & SCRUTINY

In terms of reviewing and monitoring the governance framework during 2019/20 the Overview and Scrutiny Committee has:

- a) Received half yearly reports on the content of the Corporate Risk Register to review and challenge the content.
- b) Made comments to Cabinet on the content of Service Plans for 2019/20.
- c) Received reports from representatives on Outside Bodies on their involvement and make any recommendations to Cabinet on the continuing value.
- d) Received regular reports during the year on council performance.
- e) In August 2019 the committee reviewed guidance on Overview and Scrutiny in Local and Combined Authorities to provide assurance that the committee is able to comply with good practice.
- e) Received the annual report from the Ombudsman.
- f) Reviewed regular budget monitoring information. This is part of our budgetary control process, which has remained effective during 2019/20.
- g) In January 2020 the committee reviewed the content of the draft budget for 2019/20, prior to approval by Full Council.
- h) Been kept properly informed of the Cabinet Work Programme. This allows the committee to fulfil its role of holding decision makers to account

AUDIT COMMITTEE

The Audit Committee is responsible for providing effective assurance on the adequacy of the governance framework. In terms of reviewing the governance framework for 2019/20, the Audit Committee has:

- a) Reviewed the Council's Annual Governance Statement, to confirm the content accurately reflects the council's governance framework.
- b) Received regular reports on the work carried out by the Council's External Auditors.
- c) Received regular reports on the work of Internal Audit. This has allowed the committee to monitor their work and ensure the service is able to substantially deliver the audit plan.
- d) Received the Annual Report of the Internal Audit Manager. This provides the committee with the Audit Managers opinion on the effectiveness of the Council's internal control framework.
- e) Approved the Statement of Accounts
- f) Reviewed regular reports on the effectiveness of the Council's risk management arrangements and challenged the framework to ensure it remains fit for purpose.

Role of the Monitoring Officer

The Monitoring Officer has ensured that during 2019/20 the Council has complied with the law, and, that high standards of conduct have been maintained by both officers and members. The Monitoring Officer has managed any amendments to the Constitution and has ensured the decision making process has been transparent.

Role of the Section 151 Officer

During 2019/20, The Section 151 Officer has had in place an appropriate internal control framework that has ensured financial transactions have been properly accounted for. The Section 151 officer is a member of Leadership Team and has ensured financial implications are taken into account in the delivery of corporate objectives.

Internal Audit

During 2019/20 Internal Audit have reviewed of the key controls in place for all of the key financial systems. Their work substantially complies with the requirements of the Public Sector Internal Audit Standards. Planned work was linked to corporate priorities and they have facilitated the Council's risk management arrangements. Although it should be noted that due to the impact of COVID-19, internal audit were not able to complete their planned work for 2019/20. Internal Audit have provided a half yearly risk update reports to both the Audit Committee and Overview and Scrutiny.

The annual opinion on the internal control framework during 2018/19, provided by the Audit Manager is considered to be satisfactory, however, there were qualifications to this opinion. These qualifications were based on audit reviews where a limited assurance opinion was provided on the effectiveness of the internal controls in place, a summary of these are shown below:

Area of Review	Reasons for Limited Opinion
Accounts Payable	<p>Financial Regulations need to be reviewed and updated.</p> <p>The use of purchase orders does not always comply with the purchase to pay process.</p> <p>Procurement rules need to be reviewed and updated.</p>
Accounts Receivable	<p>Recovery action is not effective in that all options are not used in a timely manner.</p>
Credit Card Usage	<p>Credit Card Policy was not always adhered to.</p> <p>Supporting information was not always retained for all purchases.</p>
Housing Benefits	<p>Processing of new claims did not meet agreed performance targets.</p> <p>The recovery of overpayments is not effective.</p>
Payroll	<p>Data Management weaknesses</p> <p>Up to date and readily available key HR policies were not always easy to find.</p>
Main Accounting	<p>Integrity of data conversion from the legacy finance system to the new version of Integra.</p> <p>2019/20 opening balances had not been brought forward into the accounts until March 2020.</p>
Rent Deposits	<p>Inconsistent approach to manage outstanding balances.</p>

External Audit

The Council's External Auditors provided an unqualified opinion on the 2018/19 Statements of Accounts. They also provided an unqualified opinion on the arrangements in place to secure value for money and Housing Benefit Grant Claim.

Governance Action Plan 2019/20				
	Issue	Actions to be Taken	Responsible Officer	Target Date
1.	Ensure there is an appropriate process in place to manage risks linked to the transition of services previously provided by Capita to the council.	Risk meeting arranged for July 2020 and then monthly onwards to review, manage and mitigate ongoing risks.	Head of Corporate Services	August 2020
2.	Finalise the contract between Mendip DC and the Council for the provision of Financial Services.	The details of the contract are currently being reviewed.	Head of Corporate Services.	September 2020
3.	Ensure agreed actions are taken to resolve high risk internal control weaknesses identified during internal audit reviews during 2019/20.	High Risk Internal Control Weaknesses will form part of the formal Leadership Team meeting agenda and will be included in Service Plans for implementation.	Head of Corporate Services	September 2020
4.	Review Financial Regulations and Contract Standing Orders to ensure they reflect good practice and the current structure of the council.	Contract Standing Orders and Financial Regulations have been reviewed and will be presented to Members for approval in September 2020 for approval.	Head of Corporate Services	September 2020

**Appendix 1
Paper D**

5.	Ensure Service Plans adequately reflect risks within each service and that appropriate mitigations are identified to manage them.	Service Plan Template to be reviewed to ensure a section on risk is included. This will enable an improved reporting process.	All Heads of Service	September 2020
6.	That the governance arrangements for the Joint Waste Contract are stabilised.	Hart District Council and Basingstoke and Deane Borough Council are in active discussions regarding the KPI's and outcomes that are desired from the Joint Waste Contract. As part of this, they are seeking externally commissioned expert advice, as appropriate. This builds on the existing structures and mechanisms in place to ensure the effective management and contract oversight that is built into the Inter Authority Agreement between the two respective Authorities.	Head of Environmental and Technical Services	September 2020
7.	Ensure key policies are up to date and that the current version is readily available.	A review of key policies will be carried out, this will be part of the Web Content Accessibility Review which is due to be completed by September 2020.	All Heads of Service	September 2020

**Councillor Dave Neighbour
Leader of The Council**

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Date

Daryl Phillips, Joint Chief Executive

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Date

Patricia Hughes, Joint Chief Executive

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Date

