

Annual Governance Statement 2014/15

Scope of Responsibility

Surrey Heath Borough 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. 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 which includes arrangements for the management of risk.

Surrey Heath Borough Council has developed, approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/ SOLACE Framework "Delivering Good Governance in Local Government". A copy of this code is on the Council's website at www.surreyheath.gov.uk or can be obtained from the Council Offices, Surrey Heath House, Knoll Road, Camberley, Surrey. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3) which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, cultures and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable 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 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 Surrey Heath Borough Council for the year ended 31st March 2015 and up to the date of approval of the Statement of Accounts.

The Governance Framework

There are a number of key elements and processes that comprise the Council's governance arrangements, which are set out below:

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The Council's key priorities and objectives are included in the Council's "2020 strategy" which covers the 10 years to 2020. This is the Corporate Plan.
- The Corporate Plan and Key Priorities feed into the Annual Plan which sets out the financial and performance objectives of each service. These are monitored on a six monthly basis and reviewed by the Performance and Audit Scrutiny Committee in a publically available document.
- The Council's Constitution, decision making structure and arrangements; schedule of meetings and associated agendas and minutes are publically available in accordance with regulations to encourage public attendance and involvement as appropriate.

Reviewing the authority's vision and its implications for the authority's governance arrangements

- The Corporate Plan is reviewed every three years to take account of progress against the key priorities. This review takes account of any implications for the Council's governance arrangements with appropriate amendments being made as necessary.

Translating the vision into objectives for the authority and its partnerships

- The Corporate Plan sets out clear objectives to deliver the council's key priorities and vision. All decisions made by the Council demonstrate how they support the Council's key objectives and priorities.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authorities objectives and for ensuring they represent the best use of resources and value for money

- Performance progress is tracked regularly through monitoring of key performance indicators, service tasks and projects. Progress against the Council's Annual Plan is reported on a six monthly basis to the Executive and the Performance and Audit Scrutiny Committee. The Council's Performance Management system (TEN) is maintained online and is available for review by members and officers.
- Regular financial reporting to Management Board and Members assists the monitoring of council expenditure against budgets which have been set to enable Corporate Plan objectives to be met.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions with clear delegation arrangements and protocols for effective communication

- Roles and responsibilities of the Executive, the Council, Overview and Scrutiny and all the committees of the Council, along with officer functions are defined and documented, with clear delegation arrangements and protocols for effective communication within the Council's Constitution.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's

website and intranet site. These include Members' Code of Conduct, Code of Conduct for Staff, Planning Code of Practice for Councillors and Officers, Anti-fraud and Corruption Policy, Member and Officer Protocols and regular performance appraisals.

- The Standards Hearing and Determination Committee promotes standards within the Council and receives reports from the Monitoring Officer. It also hears and determines complaints against Members arising out of alleged breaches of the Members Code of Conduct. It also considers dispensations in certain circumstances.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Constitution is regularly reviewed and updated by the Governance working group. The Constitution is available on the Council's website.
- The Council has established policies and procedures to govern its operations. Key within these are the Financial Regulations, Procurement Strategy and Contract Standing Orders, Risk Management Strategy, Codes of Conduct for Members and Officers, Anti-Fraud and Corruption Policy, Bribery Policy and Procedure, Whistleblowing Policy and Procedure and Human Resources policies. Ensuring compliance with these policies is the responsibility of everyone throughout the Council. These key controls are subject to periodic review, including that by Internal Audit, and are updated to ensure that they are relevant to the needs of the organisation. The Council's Financial Regulations have been reviewed and updated in 14/15, and a revised set of regulations are due to be published.
- Contract Standing Orders set out the rules governing the procurement process to ensure that value for money is achieved whilst meeting all legal and statutory requirements and minimising the risk of fraud or corruption. The Council's Procurement Strategy is a high level view of how to promote effective procurement across the whole organisation.
- A risk management framework has been in place across the Council for some years with the objective of embedding effective risk management practices at both strategic and operational levels. The Corporate Risk Management Register is reviewed on an annual basis and approved by the Performance and Audit Committee. A risk section is included in all Executive reports to ensure that it has been properly considered.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

- A risk workshop was held with the Council's Management Team last year to assist in identifying Corporate Risks. The risk group meets to update the corporate risk register and to ensure that identified risks have mitigation processes in place and clear lines of responsibility.

Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained

- The Council has in place an Anti-fraud and Corruption Policy and this has been communicated to all staff. It also forms part of the induction process for new staff.

The Council has a Corporate Fraud team responsible for investigating Benefit fraud, corporate fraud and Members' Code breaches. The team embed the anti-fraud culture by training generally and through their involvement in the induction of staff. Members of the team are fully trained to Police and Criminal Evidence Act standard.

Ensuring effective management of change and transformation

- All change and transformation is approved and monitored by the Council's Transformation Board consisting of 3 Executive Members and the Council's Management Board. At the start of the process, managers are required to prepare a report setting out the reasons for the transformation, the benefits it will bring, resource implications and any risks for the board to consider. Once complete a final report has to be submitted to the board stating what the outcomes of the transformation were.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

- The Council's financial management arrangements conform to CIPFA standards. The Executive Head of Finance (Section 151 Officer) has statutory responsibility for the proper management of the Council's finances and is a member of the Council's Management Board. The management of the Council's finances within departments is devolved to Executive Heads of Service through the Scheme of Delegation. Service managers further devolve decision making to managers and business unit managers.
- The Finance Team and internal audit provide detailed finance protocols, procedures, guidance and training for managers and staff. The structure of the Finance Team ensures segregation of duties and all committee reports are reviewed by the service.

Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit

- The internal audit function is an independent appraisal process, the manager of which has direct access to the Chief Executive, members through the Performance and Audit Scrutiny Committee and External Audit. It undertakes reviews which provide management with a level of assurance on the adequacy of internal controls and of risks to the Council's functions / systems. Throughout the year, the internal auditors have performed a wide range of reviews covering both financial areas as well as service/business functions. The conclusion is a report that is produced for management, which includes an assessment of the level of assurance that can be derived from the system of internal controls related to the service that is reviewed. A new set of public sector wide internal audit standards for the UK and Ireland have also recently been published, based on a series of mandatory elements of the IIA's International Professional Practices Framework. The Council's internal audit team have been working to these standards since their adoption.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

- The Council has appointed its Head of Legal Services as Monitoring Officer. The Monitoring Officer is a member of the Council's Management Board and the Governance working group. The Monitoring Officer can also call upon the resources of the Council's legal team, internal audit and Investigations teams as required.
- The Monitoring Officer is responsible for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer may report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No reports have been necessary in recent years.

Ensure effective arrangements are in place for the discharge of the Head of Paid Service function

- The Council has designated the Chief Executive as Head of Paid Service

Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- The role of the Performance and Audit Committee is set out in the Constitution and one of its key roles is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. It is a committee comprising 15 Members, independent of the Executive. It oversees the internal audit function and considers all relevant reports of the external auditor. It has the power to refer matters of concern to the Executive or other committees and to require a response
- The terms of reference for the Performance and Audit Committee are reviewed annually.

Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

- The Monitoring Officer has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by Members are supported by a legal assessment provided by the appropriate officer.
- The Council has in place a Responsible Finance Officer under Section 151 of the Local Government Act 1972. This role ensures lawfulness and financial prudence of decision making, has responsibility for the administration of the financial affairs of the council and provides advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

Whistle-blowing and receiving and investigating complaints from the public

- The Council has in place a Whistleblowing Policy and Procedure whereby staff and others can report concerns about various sorts of wrongdoing or alleged impropriety. The Policy is available on the website and is also proactively communicated to those contracting with the council. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.
- Surrey Heath Borough Council wants to provide the best service it can to the community and has a Customer Feedback process in place, which includes complaints, compliments, service requests, member contact and comments. All complaints are thoroughly investigated in line with the Council's complaints procedure. A complaints report is provided annually to the Performance and Audit committee.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- The Council is committed to developing the skills of both Members and officers in order to enable a continuous improvement in the services provided. The Council continues to hold the Investor's in People Silver standard which has been awarded.

- Officers are covered by the appraisal development scheme which is the mechanism used to help ensure that performance and development needs are reviewed on an annual basis.
- There is a full induction process for Members and specific officers have been designated with training responsibilities for Members. Members have training provided to reflect their specific statutory responsibilities as appropriate.

Clear channels of communication with all sections of the community and other stakeholders are in place, ensuring accountability and encouraging open consultation

- The Council ensures that there is community input in its decision making processes. This is done by focus groups, workshops, questionnaires, and business breakfasts and members interaction with the community. During the year 2 community consultation events were held in different parts of the borough. Recently greater use has been made social media.
- The Council has a well-established and effective consultation function which includes a wide range of consultation methods to ensure that as many groups and individuals as possible are able to participate. Before undertaking any consultation or communication, action plans are completed by the Corporate Communications Officers to detail exactly how key groups will be targeted. The Council delivers an extensive programme of consultations throughout the year.
- The Council also regularly communicates and consults with residents online via the council website through social media such as Twitter and Facebook, through local press, through blogs, through local forums and organisations and also through the Council own magazine "Heathscene" which is published 3 times a year.

Incorporating good governance arrangements in respect of partnerships and other group working

- Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The Council's Monitoring Officer ensures that all are fit for purpose and the Council's interests are protected.

Internal Audit Statement

In the financial year 2014/15 Internal Audit carried out a number of internal audit reviews based on the Annual Plan agreed by the Performance and Audit Committee in January 2014. 23 audits have been completed, 18 from the Plan and 5 unscheduled pieces of work.

The majority of internal audits result in an action plan being agreed with management to address areas of weakness and improve overall controls. These action plans include a number of recommendations for management. In 2014/15 79 recommendations have been agreed with management. As at the end of March 2015, all medium and high level recommendations were fully implemented where they fell due. The outcomes of these internal audit reviews are reported to Management Board. Overdue recommendations are also reported twice yearly to Management Board and to Performance and Audit Scrutiny Committee by way of an escalation process.

The Council has very high levels of assurance in respect of all of its main financial systems and the majority of its governance arrangements. All of the main financial systems completed in 14/15, which feed into the production of the Council's Financial Statements, have achieved a

substantial assurance level following the audit review. The Council can therefore be assured in these areas.

A number of internal audits and investigations however resulted in limited assurance in 2014/15, including:

- Human Resources
- Parks Income
- Camberley Theatre
- Community Services
- Travellers Sites/Gypsies
- Windle Valley Centre

Senior Information Risk Owner (SIRO) Statement

The Local Government Data Handling Guidelines requires that all Local Authorities have a board member who acts as a SIRO. Within Surrey Heath, the Executive Head of Finance acts as SIRO with the assistance of the Information Governance Manager.

During 2014-15, the Data Security Breach Management Policy and Procedure was approved. It now forms part of the Terms and Conditions for staff. A Lead Investigation Officer is appointed, if necessary, to investigate any breaches. A log is kept of all data breaches. 12 minor internal breaches were recorded and dealt with. There were no data breaches during the year that required reporting to the Information Commissioner's Office.

To ensure all staff understand their responsibility for Data Protection, an Information Governance e-learning package has been produced. It is mandatory for all staff.

The Council achieved certification for the Public Sector Network (PSN) on 26 January 2015. All end-points connecting to the Surrey Heath Public Sector Network are now managed in line with PSN Code of Connection requirements. All staff are recruited in line with HMG Baseline Personnel Security Standard as part of Public Sector Network certification. A new recruitment policy, which includes this procedure, is now in place.

The Information Security Policy was updated to reflect changes in legislation and practices to ensure adequate protection of Council held information.

The Information Commissioner's Office has recommended that Privacy Impact Assessments (PIA), where personal data is involved, are carried out for all new projects and policies. A template has been produced to assist in the production of PIA's. One was carried out in 2014 for the use of Automatic Number Plate Recognition in car parks.

The Information Governance Manager attended two courses, one on Privacy Impact Assessments and an update on CCTV.

Based on the controls in place and the work undertaken during the year the SIRO is of the opinion that the Council's controls for the security and use of information assets was adequate for the year.

Review of Effectiveness

The 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 the effectiveness is informed by the work of senior officers within the authority who have responsibility for the development and maintenance of the governance environment, the head of

internal audit's annual report, and also by comments made by the external auditors and other review agencies.

For 2014/15, this review has been undertaken by the Head of Legal Services, together with the Executive Head of Finance and Internal Audit. The group has reviewed how the Council has operated in accordance with the Governance Framework and considered its effectiveness.

Improvements during the Year

During the year a number of issues arose which relate to the operation of the Governance Framework. These issues have been reviewed as follows:

Risk Management Strategy and Process

The Council continued to work with its insurers on identifying Corporate Risks. These were then reflected in the corporate risk register if appropriate.

Data Protection

Surrey Heath Borough Council must ensure all personal information is processed in accordance with the Data Protection Act 1998. The Information Security policy explains how members and officers are expected to comply with the Act. The Council must comply with this policy to ensure the Data Protection Act is not breached. Any breach of the Act has serious consequences for the organisation and its customers.

Constitution

The Council has agreed a number of changes to the Scheme of Delegation and to the committee structure which will take effect in the new municipal year. These will lead to more efficient decision-making.

Emergency Planning

Members of staff continued to receive training related to the operation of the Borough Emergency Centre.

HR Policies

HR Policies relating to the Pay Settlement Procedure, Drugs and Alcohol, House Rules, Flexible Working, Offsite Working, Family Friendly Policies, Recruitment and Social Media were all reviewed and approved during the year.

New Financial System

A new financial system was implemented on the 1st April 2014. The new computer system removes a number of existing paper controls in areas such as purchasing and instead relies on in built electronic authorisations. The new system has controls in place to prevent ordering where there is no budget or authorisation in place.

Governance Issues Reported Last Year

A number of issues were identified in the 2013/14 financial year and the following action has been taken:

Parking: significant investment has been made by the Council in modernising its parking equipment and machinery over the last 18 months, making the parking system more reliable, stable and efficient. The Council is rolling out e-wallets, as well as the ability for customers to pay for parking by phone and by debit/credit card.

Performance Management: the new Annual Plan now links KPIs to key priorities. Performance data is scrutinised before publication, and changes have been made to the way the Council's performance is managed and reported.

Corporate Asset Management: condition surveys are being undertaken and surveys where necessary. The assets team is working more closely with colleagues in planning, and business to improve leisure leases.

Disabled Facilities Grants: subject to a detailed internal audit in 2015, and a number of minor improvements made to the system to make it more effective.

Camberley Theatre café/venue: the café's trading has been analysed on a monthly basis and the cafes performance in 14/15 has been discussed in detail at Management Board. A number of areas were asked to be considered. A number of changes have since been made including streamlining the hours of operation, reducing operating costs by cutting staffing levels, whilst focusing on pre-show dining, hospitality and room hires.

Financial and non-financial interests: Senior officers and members have been asked to declare any interests they have. They are also required to state that they have no interests if this is the case.

Significant Governance Issues

The overall opinion of the Monitoring Officer and the Section 151 Officer is that the Council's governance arrangements are adequate and effective. There are no significant governance issues but a number of other issues have been identified and will be addressed through the planned work of the Council.

The areas below have arisen from various assessments into the Council's governance arrangements for 2014/15, many actions have already been addressed, and residual issues will be addressed in the forthcoming year.

Corporate Processes

Issues arising out of internal audit reviews and action taken to date:

Human Resources – travel and expenses claims. Revisions to the computer system have been made, as well as new guidance being issued. Spot checks of claims will also be undertaken.

Parks Income – a number of recommendations were made with the café contractor to improve controls and cash security. The Council is currently working with the new staff in place at the café to action all these areas.

Camberley Theatre – a number of improvements to cash security, and building security were made, and the majority of recommendations have since been actioned, including staff changes.

Community Services – issues concentrated on stream lining income and payment processes, and since the audit report the Council is working in partnership with Runnymede Borough Council to deliver efficiencies.

Travellers Sites /Gypsies – a range of changes were agreed with management to improve rent controls and deposits as well as financial reporting, the majority of these have been actioned.

Windle Valley – efforts have been made to improve cash controls, finance reporting, banking, and the way the voluntary fund is managed, and all recommendations to date have been actioned.

Major Projects

The Council continues to be involved in a number of projects and initiatives that are complex in nature, carry the risk of a great financial loss, are of a high value or dependent upon working with partners to achieve. These will continue to be monitored closely over the coming year.

Assurance Summary

Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a 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 delivery of good quality services that meet all local people’s needs. It is fundamental to showing that public money is well spent. Without good governance, councils will struggle to improve services.

From the review, assessment and monitoring work undertaken and supported by the ongoing work undertaken by Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.

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 as part of our next annual review.

Karen Whelan
Chief Executive.....

Councillor Moira Gibson
Leader of Surrey Heath Borough Council.....