

## **Annual Governance Statement 2015/16**

### **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](http://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 2016 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:

## Annual Governance Statement

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### **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 Finance Scrutiny Committee in a publicly 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 Finance 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

## Annual Governance Statement

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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 Audit and Standards 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.
- 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 Finance Committee. A risk section is included in all Executive reports to ensure that it has been properly considered.
- The Council reviewed and updated its Financial Regulations during the year to ensure that they were up to date and aligned with the new financial system. They were adopted by Council and the new set will be published shortly, and refresher training is planned to be given to staff.

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

- The corporate risk group meet regularly to update the corporate risk register and to ensure that identified risks have mitigation processes in place and clear lines of responsibility. This is then discussed with the Council's Management team and presented to Members.

**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. 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 managed by the Council's Transformation service. The head of Paid service has delegated authority to make changes provided that there is no increase in head count. Any other changes are approved 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 has established a "Land and Property Board" chaired by the Chief Executive and consisting of the Section 151 Officer, Leader and Deputy Leader in order to drive forward the agenda presented by the Council's Key Priority 2.

**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 Audit & Standards 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 normally 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. Reports also offer an action plan recommending areas for improvement. The Council's internal audit team works towards the Standards provided by the IIA's International Professional Practices Framework.

**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 Corporate Management Team 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

## Annual Governance Statement

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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 Audit & Standards 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 Audit and Standards 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 Finance 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 was recently awarded the Gold Investor's in People standard.

- 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. There is a greater reliance on the use of social media as a means of communication with the wider community.
- 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 Comms Team 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. Council key messages are also communicated with all staff on a formal basis several times a year through the staff magazine, and through the all staff briefing.

### **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**

The work of Internal Audit provides one of the levels of assurance to management, along with the work of external regulatory bodies such as external audit and Investors in People. This level of assurance is obtained from the Internal Audit team undertaking a number of internal audit reviews each year based on an annual plan. The audit Plan is agreed by members of the Audit & Standards committee annually. The Plan is derived from the 3 year Audit Strategy which has also been approved by Members.

The output and quality of audit work is governed by senior management review of audit working papers as well as the internal audit reports. The team also work towards the international Standards of the chartered Institute of Internal Auditors or IIA, which all the team are members of.

In 2015/16 Internal Audit undertook a number of scheduled audits which were included in the Plan as well as a number of ad hoc or unscheduled pieces of work, which formed part of the contingency work of the team. Normally the 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. Overdue essential recommendations are reported twice yearly to CMT and to Audit & Standards Committee as part of an escalation process. The status of medium or desirable recommendations are also planned to be reported to committee in 2016/17.

Limited or nil assurance reports are reported to CMT on a regular basis each year. All limited or nil level of assurance reports are normally followed up within 6 to 9 months to check what progress has been made by management.

Internal Audit did not issue any limited or nil assurance reports issued in 2015/16. There were no significant governance issues identified that would have an adverse effect on the Council's financial statements. The overall opinion of the Head of Internal Audit is that the Council's internal control framework is adequate and effective and was managed in 15/16 with due care and attention. This is based on the work of internal audit during the course of 15/16 as well as the opinions provided by other assurance providers.

### **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.

A log is kept of all data breaches and in 2015/16 nine minor internal incidents 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. A new version is planned for 2016/17.

The Council achieved re-certification for the Public Sector Network (PSN) in January 2016 after passing its health check which is carried out by an external body. A major achievement during the year was the de support of Windows 2003 servers and the migration of systems to a new supported version of 20 plus servers.

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

In line with guidance from the Information Commissioner's Office Privacy Impact Assessments (PIAs) have been carried out for the use of hidden cameras to combat incidents of fly tipping, Google Apps and Marketing.

Work has begun on producing an Information Asset Database and updating the retention and disposal schedules. The Information Asset database will record the organisations information assets, both electronically and in paper format and the risks associated with them. It will record the lifecycle of an asset.

Based on the controls in place and the work undertaken during the year the SIRO is of the opinion that the Council's controls over the security and use of information assets were adequate for the 2015/16 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 2015/16, 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. The corporate risk management group sits on a periodic basis to update corporate risks and to update the Corporate Risk register.

#### **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 Constitution as recommended by the Governance Working Group. These will lead to more efficient decision-making.

#### **Financial Regulations**

These were reviewed and updated during the year to reflect changes brought about by the new financial system and to make processes more efficient and consistent.

#### **Business Continuity and Emergency Planning**

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

Business Continuity Impact Assessments were completed for all services across the Council in 15/16 and mock test exercises undertaken to test their resilience.

#### **HR Policies**

HR Policies relating to the Pay Settlement Statement, Disciplinary Policy, Grievance Policy, No Smoking Policy, Exceptional Payments procedure, Information Security Policy, People Strategy, Leave and Special Leave Policy, and reservist Policy were all reviewed and approved during the year.

#### **New Financial System and year end Accounts**

## Annual Governance Statement

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The introduction of a new financial system in 2014/15 brought with it a number of issues relating to bank reconciliations and budget monitoring. This resulted in an “except for” opinion being given by the Council’s External Auditors on the value for money conclusion. In addition it lead to a significant delay in finalising the 2014/15 accounts and finishing the audit. In the current year these issues have been addressed. The bank reconciliation is performed on a regular basis and the Council has taken steps to improve its budget monitoring system although there is still some way to go to integrate this fully with the new financial system. The preparation of the accounts is proceeding to schedule and the issues that arose last year are not anticipated for this year’s audit.

In order to help address the issues that arose with the end of year accounts for 2014/15 and to prevent them reoccurring, an action plan on increasing in year assurance for the financial accounts has been produced. The report provides Members and senior management with a series of recommendations for improving controls over areas such as the Collection Fund, bank reconciliations, opening balances, budget monitoring, accruals, adherence to timetable and use of internal audit. It is hoped that this report supported by the actions listed above will help to deliver a more effective end of year process and set of financial statements.

### **Governance Issues Reported Last Year**

A number of issues were reported in 2014/15 and the following action has been taken to address these:

- Human Resources. An annual audit was carried out in 15/16 where HR systems were examined in some detail. The majority of weaknesses identified and reported in 14/15 have since been addressed. System improvements have also been made to Chris 21 (the mileage and payments system).
- Parks & Open Spaces. The lease to manage the café at Frimley Lodge park was terminated in January 2016 and a new contractor was chosen to run the facility from March 2016. This has addressed the cash handling issues previously identified, and an audit to examine the new contractor arranged for 16/17.
- Camberley Theatre. Significant improvements to cash and security controls operating at the theatre have been introduced or upgraded. Catering arrangements with the previous catering contractor have also been ended in 15/16 resulting in the café/bar function now being managed in house again.
- Community Services. Re structuring within the team has resulted in efficiencies and a tightening up on procedures. The new arrangements with Runnymede BC have been introduced and are settling down.
- Travellers Sites. A number of changes have been made to the arrangements with the traveller sites and county and whilst some of these are working well, some are still to deliver effectively and the Council continues to work with County to address these.
- Council’s Centre for Elderly – Windle Valley. A follow up audit was conducted in 15/16 and the majority of recommended have been actioned. The Council has employed the services of a new experienced team leader at the centre.

### **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 2015/16, 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:

There were no significant issues as a result of internal audit work carried out in 15/16 and there were no limited or nil assurance audits issued in year.

### **Major Projects**

The Council continues to be involved in a number of projects and initiatives that are complex in nature, dependent upon working with partners to achieve and may require significant Council investment and hence an increase in financial risk. These will continue to be monitored closely over the coming year.

### **In Year Assurance**

As a result of the issues the Council faced with the 14/15 financial statements an action plan has been developed and agreed with management. The recommendations raised in the action plan, if implemented, will help to deliver the in year assurance the Council requires to help it complete end of year processes and the production of the financial statements.

### **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**.....