

Agenda Item No:	7	
Committee:	AUDIT AND RISK MANAGEMENT	
Date:	19 September 2022	
Report Title:	Annual Governance Statement 2021/22	

1 Purpose / Summary

- 1.1 Regulation 6(1) of the Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS). The CIPFA Finance Advisory Network has issued detailed practical guidance for meeting the requirements of the Accounts and Audit Regulations.

2 Key issues

- 2.1 The Accounts and Audit Regulations have been updated to bring them closer to corporate governance requirements in the private sector, and elsewhere in the public sector. The latest version applies to the financial year beginning on 1st April 2016. Within the regulations, there is still a requirement to produce an AGS which should be approved in advance of the statement of accounts. The AGS should be prepared in accordance with proper practices, which reflects the approach already adopted by this Council.
- 2.2 The principles of good governance contained with the CIPFA Guidance on Delivering Good Governance (2016 Edition) have been reflected in the AGS. The guidance outlines the following principles for achieving good governance;
- Behaving with integrity,
 - Demonstrating a 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 achieve the intended outcomes;
 - Developing the entities capacity;
 - Managing risks and performance through robust internal control and strong public financial management and
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 2.3 The Corporate Governance Committee approved a Local Code of Governance for the Council (minute CG22/06). This sets out the Policy within which a framework for governance of the Council is monitored.
- 2.4 Each year a statement is produced which assesses compliance of the Council's actual governance arrangements with the themes within the Local Code of Governance. This statement is commonly referred to as the Annual Governance Statement, which itself

includes “Governance Issues” arising in the year to which it refers and an action plan to address those issues.

- 2.5 An Annual Governance Statement has been produced for the year 2021/22. This summarises the position for the year in respect of governance and internal control, and again highlights any “Governance Issues”.
- 2.6 The statement is signed by the Chief Executive, Chief Finance Officer and Leader of the Council as further assurance of the standard of governance that has been achieved by the Council. The statement must accompany the Council’s financial statements.

3 Recommendations

The Committee considers the content of the Annual Governance Statement and approves its content for inclusion in the Council’s published statement of accounts 2020/21.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	N/A
Report Originator(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Katherine Woodward – Audit Manager Mark Saunders – Chief Accountant Neil Krajewski – Deputy Chief Accountant Amy Brown – Head of Governance and Legal Services
Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Katherine Woodward – Audit Manager Mark Saunders – Chief Accountant Neil Krajewski – Deputy Chief Accountant Amy Brown – Head of Governance and Legal Services
Background Paper(s)	CIPFA Delivering Good Governance in Local Government CIPFA Addendum to Good Governance in Local Government CIPFA Code of Practice for Internal Audit Accounts and Audit Regulations 2015 FDC Local Code of Governance

FENLAND DISTRICT COUNCIL

DRAFT 2021-22 ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

Fenland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively, providing value for money. 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, Fenland District Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.

Fenland District 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. A copy of the code is on our website at www.fenland.gov.uk or can be obtained from the Chief Finance Officer. This statement explains how Fenland District Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

2. Definition of Corporate Governance

Corporate Governance generally refers to the processes by which an organisation is directed, controlled, led, and held to account.

Good Governance in the public sector means “achieving the intended outcomes while acting in the public interest at all times.

In undertaking all council work, and exercising community leadership responsibilities, the Council will have regard for the four principles of good corporate governance.

- Openness
- Inclusivity
- Integrity
- Accountability

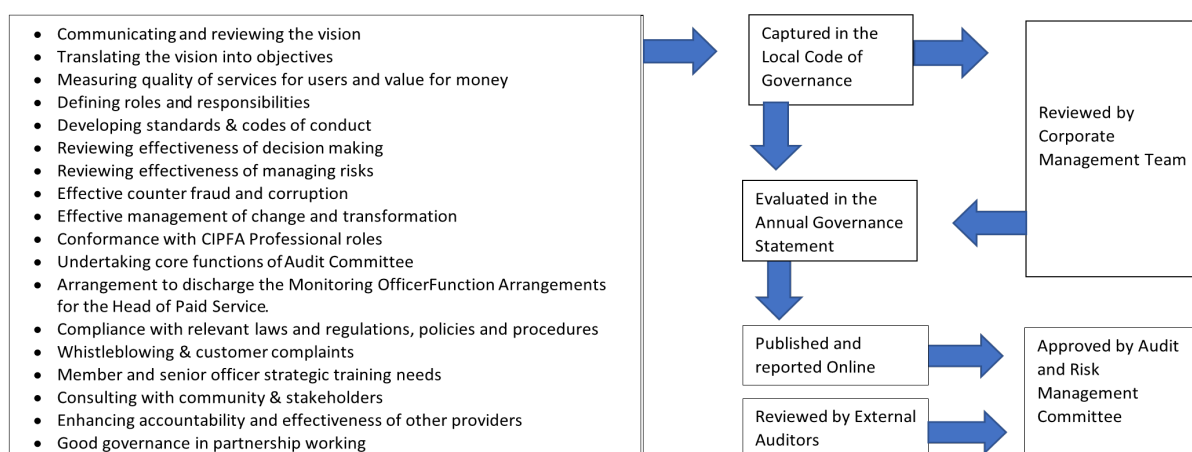
3. The governance framework

Our governance framework comprises the culture, values, systems, and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice, and management processes.

The Council has a responsibility for ensuring a sound system of governance to meet statutory requirements requiring public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control and preparing an annual governance statement. This governance statement meets that requirement and sets out brief details of the arrangements that the Council has in place regarding the key systems and processes comprising the Council's governance framework, which incorporates the Local Code of Governance adopted by the Council covering six themes, underpinned by the supporting principles contained within the "CIPFA/SOLACE Framework for delivering good governance in Local Government (2016 Edition)".

Elements of the framework

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:



The governance framework for 2021/22 supports the Council aims and objectives, which are published on our website in the Business Plan. The vision states:

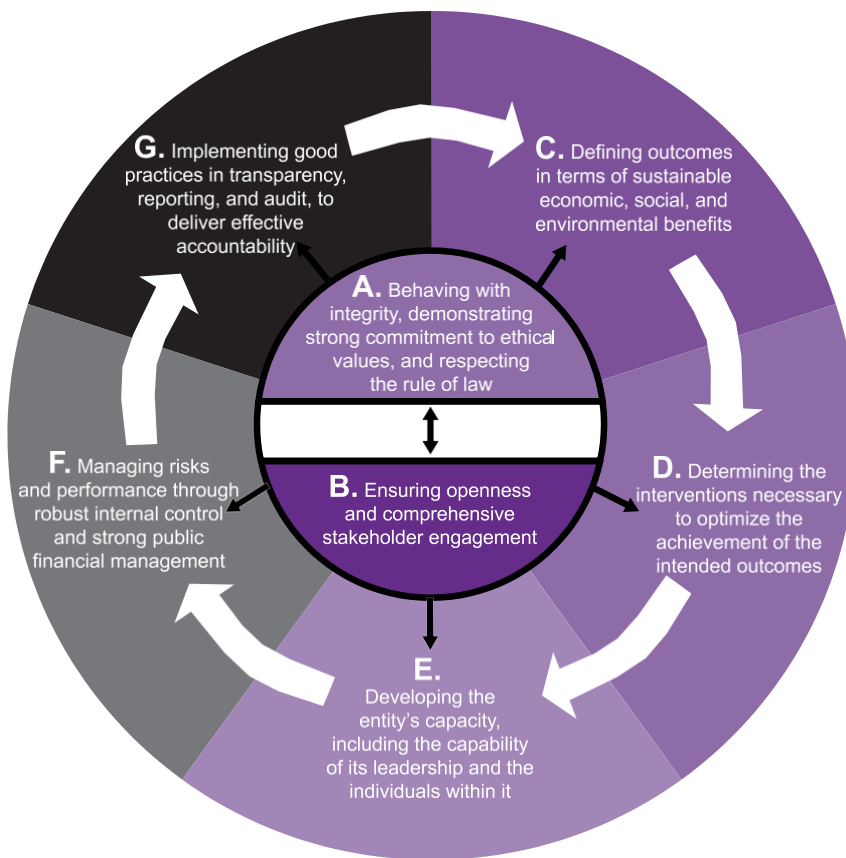
“The outcomes we focus on, the actions we’ll deliver through working collaboratively with our partners and communities are what change people’s lives for the better and for the long-term. They help to improve opportunities for everyone and make Fenland an even better place to live, work and raise a family.”

The Business Plan sets out our Priority Areas with specific and measurable actions. Performance against the Business Plan is published in the Annual report and is available on the website.

Local Code of Governance

We are responsible for ensuring that there is a sound system of governance which incorporates the systems of internal control.

The governance framework is recorded in our Local Code of Governance, which is underpinned by the 7 principles of good governance as set out in CIPFA / SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'. The principles are:



Roles and Responsibilities

Governance Structures	Roles and Responsibilities
Council	The Council agrees the budget and policy framework, such as the Business Plan, Medium Term Financial Strategy, including the General Fund Budget and Council Tax levels and the Commercial and Investment Strategy. Further details are published on our website.
Cabinet	The Cabinet is the Council's principal decision-making body, charged with implementing the budget and policy framework agreed by the Council. Further details are published on our website.
Corporate Management Team	<p>The management team structure includes a corporate management team of a Chief Executive, Directors and Assistant Directors and is supported by an operational Management Team. Both teams consider policy formulation and future planning.</p> <p>There is currently a vacant Corporate Director role and a Corporate Director on maternity leave. For 2021/22 these roles have been covered by the interim appointment of Assistant Directors</p>
Audit and Risk Management Committee	<p>The Audit and Risk Management Committee plays a vital role in overseeing and promoting good governance, ensuring accountability, and reviewing how things are done. It provides an assurance role to the council by examining areas such as audit, risk, internal control, anti-fraud, and financial accountability.</p> <p>The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with Internal Audit and senior management to continually improve the governance, risk, and control environment. Meeting details and minutes are published on the website.</p>
Conduct Committee	The Conduct Committee is in place to promote and maintain high standards of conduct by all members. It reviews formal complaints, ensures compliance with requirements for ethical standards, provides advice on conduct matters and maintains a framework for identifying and implementing new legislative requirements upon the Council.
Overview and Scrutiny Committee	The Overview and Scrutiny committee monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district. This may be services directly provided by the Council or services provided through partnership working arrangements and makes recommendations for improvement. Meeting details and minutes are published on the website.

Other Review and Assurance Mechanisms

Management have helped to review the Local Code of Governance, and also inform the Annual Governance Statement. In addition, assurances can be provided from other sources, as detailed below:

Head of Internal Audit Opinion

The Head of Internal Audit provides an independent opinion on the overall adequacy of the effectiveness of the Council's governance, risk and control arrangements and the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The Internal Audit Annual Report was presented to the Audit and Risk Management Committee in July 2022. This report outlined the key findings of the audit work undertaken during 2021/22 and other sources of assurance that were used to support the Annual Audit opinion, including any areas of significant weakness in the control environment.

From the audit reviews undertaken, no areas were identified where it was considered that, if the risks highlighted materialised, would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough or was not complied with sufficiently to prevent risks to the organisation, recommendations have been issued to further improve the system of internal control and compliance. The implementation of the actions is followed up by Internal Audit and is reported to the Audit and Risk Management Committee.

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, adequate assurance can be given over the adequacy and effectiveness of the Council's overall internal control risk and governance arrangements during the financial year 2021/22.

External Audit

The externally appointed auditors, Ernst & Young, issued their annual governance report in November 2021 which provided an unqualified opinion on the 2020/21 statement of accounts and the Council's arrangements to secure economy, efficiency, and effectiveness in its use of resources. The report praised the management and staff of the Council, and reflected positively on the co-operation, quality of working papers and timeliness of provision of information.

The Council continues to demonstrate compliance against the Customer Service Excellence standard, the UK Government's national standard for excellence in customer service. The standard demonstrates our culture and behaviours, and that we engage with customers and partners, and deliver effective use of resources.

4. Review of effectiveness

Fenland District 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 effectiveness is informed by the work of the Corporate Management Team and Management within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. The following actions and processes have been applied in maintaining and reviewing the effectiveness of the system of internal control over the last twelve months:

Principle	Review of effectiveness for the 21/22 Financial Year	Further Improvements
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.</p>	<ul style="list-style-type: none"> • Codes of Conduct for Council Members, with revised guidance procedures in place. All members are required to sign and registration of interest with 28 days of acceptance of office and all Council meetings require a declaration of interest to be disclosed. • Staff codes of conduct, capability and disciplinary procedures, anti-fraud and corruption policies, Whistleblowing policy, Values statement, and competency framework. • Up to date register of gifts and hospitality • Complaints policy • The constitution, including terms of reference for committees. • Compliance with CIPFA’s statement on the role of the Chief Finance Officer • Monitoring officer provision • Recording of legal advice provided • Statutory guidance is followed <p>The Overview and Scrutiny Panel established a Task and Finish group to undertake a comprehensive review of the Council Complaints policy and Performance framework which is ongoing</p>	<ul style="list-style-type: none"> • The Council must be prepared to address any impacts that may arise as a result of changes in regulation, legislative powers, and national policy such as: <p>Reforms to New Homes Bonus, Business Rates and the Fairer Funding Review. Comprehensive Spending Review. Department for Environment, Food and Rural Affairs’ consultation on Household and Business Recycling collections</p>
<p>B. Ensuring openness and comprehensive stakeholder engagement.</p>	<ul style="list-style-type: none"> • Demonstrating the Council’s commitment to openness through documenting and communicating the Council’s Business Plan for 2021/22, the Annual report for 2020/21, Council Tax Support scheme for 2021/22, Medium Term Financial Strategy 201/22 – 2025/26, Fees and Charges 2021/22 and the Capital Programme 2021/22. <p>All of these documents are available on the Council’s website along with Freedom of information scheme, Transparency data and minutes of all decision-making committees and decision notices.</p> <ul style="list-style-type: none"> • The Council has a consultation strategy and a communications strategy and uses channels such as the website and community hubs to consult on activities relevant to the community including planning, licensing, policy, and development. 	
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p>	<ul style="list-style-type: none"> • The Corporate Planning Framework of the Council ensures the delivery of services and projects to improve quality of life for Fenland residents. Partners, through the Fenland Strategic Partnership, meet and establish priorities for delivery to address the statutory duty of promoting the well-being of the district. 	

	<ul style="list-style-type: none"> • The Council, through its Business Plan establishes its objectives by consultation with its key partners and the public as well as with reference to statutory duties, local needs, and national priorities. The Business Plan communicates the Council’s vision of its purpose and intended outcomes for citizens and service users. • The Business Plan has corporate priorities which are then cascaded down to team priorities. Achievement of corporate priorities is monitored regularly via the performance monitoring framework and monitoring reports to Portfolio Holders, the Overview and Scrutiny Committee and Full Council. Progress against intended outcomes is reported in the Council’s Annual Report • Service quality is measured via customer communication channels and by measurement of performance indicators • The Council also approved the Economic Growth Strategy Refresh for 2022-2025 • The Council is currently reviewing its Local Plan due for consultation later in 2022/23. 	
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<ul style="list-style-type: none"> • Although in a healthy financial position, the Council still faces continuing financial challenges over the medium term, resulting from changes to central government funding. The Medium Term Financial Strategy presented to Council in February 2022 highlighted the need for further savings of 973k up to 2026/27. • The development of the Commercial and Investment Strategy has the potential to generate additional significant returns over the medium term, through the trading company Fenland Future Ltd (FFL). • Cabinet also considered reports and proposals regarding the council Transformation programme to ensure continued achievement of outcomes through the efficient use of resources and improvements to service delivery. 	<ul style="list-style-type: none"> • The Chief Finance Officer, with the Chief Executive will review the impact of change upon the Council in conjunction with the Leader and Finance Portfolio Holder and the Cabinet. • The Council’s Transformation programme has placed the Council in a good position financially however, we will continue to look for more ways to become efficient and effective through looking at different service delivery models.
<p>E. Developing the authority’s capacity, including the capability of its leadership and</p>	<ul style="list-style-type: none"> • There is currently a vacant Corporate Director role and a Corporate Director on maternity leave. For 2021/22 these roles have been covered by the interim appointment of Assistant Directors to ensure sufficient capacity within the organisation. 	

<p>individuals within it.</p>	<ul style="list-style-type: none"> • The Human Resource team lead on the development of the workforce planning and organisational development and training plan, supported by annual service planning. • The council has a clear scheme of delegation contained within the standing orders and financial regulations which are reviewed by the Monitoring officer to ensure compliance. • Staff and members have access to induction programmes and training courses to support and develop their roles, which also include personal development plans that are reviewed at least annually. • The Council has approved practices and protocols for the management and processing of data ensuring that training is routinely updated to reflect current and evolving requirements. • Both the Leader and the Chief Executive have clearly defined and distinctive leadership roles, who provide a check and balance for each other responsibility and have established an effective relationship to maintain effective communication. 	
<p>F. Managing risks and performance through robust internal control and strong financial management</p>	<ul style="list-style-type: none"> • Cabinet and the Audit and Risk Committee considered the 2020/21 financial statements and the Council’s corporate objectives, performance indicators and Strategic Risk Register • The Council has a Risk Management Strategy that has enabled the monitoring of risk within projects, Service Plans, performance management, financial planning, policy setting and decision making. The Council has a balanced risk appetite that allows new ideas to be explored and encourages innovation. The Risk Management Framework enables risks to be escalated to an appropriate authority in the organisation to be managed. The Risk Management Strategy is reviewed annually by Audit and Risk Management Committee. The Council has a Risk Management Group who are responsible for highlighting, assessing risks and applying a Red, Amber, Green (RAG) status to risks for consideration by the Corporate Management Team and ultimately by the Audit and Risk Management Committee. • The Council has a Port Marine Safety Code to manage potential major risks related to Marine Services. It is linked to the Council’s Business Continuity Plan as referenced above and is also regularly updated. A Port Management Group is responsible for monitoring and managing safety issues and a Duty Holder and Designated Person is appointed to review the safety management system and associated risks. 	<ul style="list-style-type: none"> • The Council has a Code of Procurement and Procurement Strategy which reflects current national practice. This is kept under regular review with significant changes expected in 2023 when a fuller and more detailed review will be performed before reporting the outcome formally to members for approval.

	<ul style="list-style-type: none"> • The Councils Overview and Scrutiny Committee received performance reports on Covid 19 response, Shared Planning Service, Anglia Revenues Partnership, Freedom Leisure, Customer Complaints (3c's) process and Corporate Priorities of Communities, Environment and Transformation and communications. They also welcomed partnership updates from Clarion Housing, Community Safety Partnership, Wisbech Rail update, The Combined Authorities Growth Programme and Anglian Water on flood defence infrastructure. • The Audit and Risk Management Committee received various reports from the Council Internal Audit Manager and External Auditors regarding audit planning and annual reports including overall systems of internal control and audits of financial systems. • The Audit and Risk management Committee adopted new terms of reference in 2020/21 and produce an annual report demonstrating compliance with best practice guidance. 	
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p>	<ul style="list-style-type: none"> • The Council received an unqualified opinion on the Statement of Accounts for 2020/21. The accounts were approved in November 2021, which was slightly later than planned but accepted due to the national delays in completing external audit work. • As part of the Councils transformation programme, more forms have become available on the website and an increase in use has demonstrated the success of this project. • The Annual report has been refreshed and is now more readable and understandable to our stakeholders. This report includes information on performance, value for money and the stewardship of resources. • The Annual Governance Statement is discussed and owned by the Council's Management Team and is discussed with both officers and members periodically throughout the year. • The Council has an effective Internal Audit function that provides assurance and makes recommendations to improve performance. The function conforms with the CIPFA statement on the Role of the Head of Internal Audit and the Public Sector Internal Audit Standards. • The Council has approved the Public Sector Audit Appointments Ltd to appoint external auditors on our behalf for 2023/24 onwards. 	

5. Conclusion

Having completed the processes set out above to review the effectiveness of the Council’s governance framework, we are satisfied that we have sufficient assurance regarding the effectiveness of the framework in place and the governance issues identified are as set out above. 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.

Signed:

Peter Catchpole
Corporate Director and Chief Finance Officer

Signed:

Paul Medd
Chief Executive

Signed:

Councillor Chris Boden
Leader, Fenland District Council