

Report to	<b>Standards and Audit Committee</b>
Date	<b>13 September 2012</b>
By	<b>Chief Finance Officer</b>
Title of Report	<b>Annual Governance Statement 2011/12 Revision</b>
Purpose of Report	<b>To present a revised Annual Governance Statement 2011/12</b>

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**Recommendation: The Committee is recommended to:**

**a) approve the revised Annual Governance Statement 2011/12**

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**1. Introduction**

- 1.1 This report presents a revised South Downs National Park Authority (SDNPA) Annual Governance Statement 2011/12 for the Committee's consideration and approval.

**2. Background**

- 2.1 The Annual Governance Statement (AGS) provides a comprehensive assessment of the governance arrangements and the internal control environment across all activities of the authority. Once approved it will be signed by the Authority's Chief Executive and the Chair of the Authority.
- 2.2 The Accounts and Audit Regulations 2011 require the AGS to 'accompany' the Statement of Accounts rather than being included within them as required under previous regulations. Following approval, the AGS will therefore be published as a separate stand-alone document.

**3. Revision of the Annual Governance Statement**

- 3.1 The Annual Governance Statement 2011/12 was presented to the Audit Committee at its meeting on 12 June 2012. The statement was approved but since that meeting, discussion with the Audit Commission external auditor has highlighted that a revision is necessary. Specifically, the 2011/12 Code of Practice on Local Authority Accounting ("the Code") introduced a requirement that, within the AGS, an authority should include a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, an explanation of how they deliver the same impact. The AGS has therefore been revised to comply with the Code.
- 3.2 This has no material impact on the authority's current arrangements as the provision of the Chief Finance Officer role was properly considered by the authority when making its decision about the organisational structure. This resulted in the authority making a decision to have a small, directly employed corporate centre together with a range of contracts for key support services including the Chief Finance Officer role. The AGS has therefore been revised to reflect this decision and sets out the arrangements that the authority has put in place to ensure that the Chief Finance Officer role has full effect. The revised text is shown underlined in paragraph 3.1, bullet-point 3 of the revised AGS (**Appendix 1**).
- 3.3 A small number of corrections have also been made for some typos and officer and Member titles.

#### **4. Conclusion**

- 4.1 Members are asked to approve the revision to the Annual Governance Statement 2011/12 to comply with the Code.

#### **5. Resources**

- 5.1 There are no additional resource requirements arising from this report.

#### **6. Risk management**

- 6.1 The preparation of the Annual Governance Statement has been explicitly linked to the risk management framework of the authority.

#### **7. Human Rights, Equalities, Health and Safety**

- 7.1 There are no implications arising from this report.

#### **8. External Consultees**

- 8.1 None.

#### **NIGEL MANVELL Chief Finance Officer**

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Appendix	I. Revised Annual Governance Statement 2011/12
SDNPA Consultees	Monitoring Officer, Deputy Monitoring Officer, Strategic Management Team
Background Documents	Report to Audit Committee 12 June 2012 AC 15/12

## **ANNUAL GOVERNANCE STATEMENT FOR SOUTH DOWNS NATIONAL PARK AUTHORITY 2011-12**

### **1. Scope of responsibility**

- 1.1. Through carrying out its general statutory duties and responsibilities in connection with the two national park purposes, the South Downs National Park Authority (the SDNPA) seeks to work for and with the local community to foster the social and economic wellbeing of communities within the National Park.
- 1.2. The SDNPA 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.
- 1.3. The SDNPA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.4. In discharging this overall responsibility, the SDNPA is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Authority's functions, and which includes arrangements for the management of risk.
- 1.5. The SDNPA has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE guidance *Delivering Good Guidance in Local Government Framework*. The Local Code of Corporate Governance sets out agreed criteria against which the effectiveness of the governance framework will be assessed. This statement explains how the Authority has complied with the Local Code and meets the requirements of Regulation 4(2) of the Accounts and Audit (England) Regulations 2011 for the Authority to conduct a review at least once in a year of the effectiveness of its system of internal control.

### **2. The purpose of the governance framework**

- 2.1. The governance framework comprises the systems and processes, and culture and values, by which the SDNPA is directed and controlled and through which it accounts to, engages with and leads the community. It enables the SDNPA to monitor the achievement of its strategic priorities and to consider whether these priorities have led to the delivery of appropriate, cost-effective services.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Authority's aims, objectives and policies, 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 Internal Audit Annual Opinion is that reasonable assurance can be provided that an effective system of internal control is in place at the National Park Authority for the year ended 31 March 2012.
- 2.4. The system of internal control has been in place within the SDNPA for the year ended 31 March 2012 and up to the date of approval of the annual report and Statement of Accounts.

### **3. The Governance Framework**

3.1. The key elements of the systems and processes that comprise the SDNPA's governance arrangements are summarised below:

- The SDNPA's purposes, vision and intended outcomes for residents, visitors and other service users are identified in a range of policy documents set out in our Local Code of Corporate Governance. The overarching vision for the management for the South Downs will be set out in the National Park Management Plan due to be completed in 2013. The plan is being developed with partners and delivery partnerships will be put in place to ensure the objectives are met. The vision and emerging priorities will also be reflected in the Local Development Framework which is due to be completed in 2016.

The SDNPA's Business Plan (which is reviewed annually and which can be found on our website<sup>1</sup>) sets out the high level objectives and priorities for the forthcoming financial year. The Business Plan also sets out our guiding principles, which were adopted following extensive engagement with organisations and individuals throughout the National Park during 2010 and our values. These feed into the Service Plans which set out the priority activities and performance measures for each service for the year. Once in place, the National Park Management Plan will drive the objectives and priorities for the organisation. A number of plans and policies are still in the process of being prepared and anticipated completion dates have been identified for these in our Local Code of Corporate Governance.

- Progress against the SDNPA's objectives, and the National Park Authority performance indicators, is identified via Quarterly Milestone Reporting and annual performance reporting and the Performance Management Framework is due to be finalised this year. Performance is monitored by the Resources and Performance Committee with policies and strategies in place to ensure that the SDNPA makes best use of resources, and regular value for money reviews are carried out. The approach to performance monitoring is set out in the Performance Framework.
- The SDNPA's Standing Orders, Scheme of Delegation, Financial Regulations, Contract Standing Orders and other procedures describe how the Authority operates and how decisions are made to ensure that these are efficient, transparent and accountable to local people. There is a programme for reviewing and updating key documentation. Each of the SDNPA's four committees has distinct terms of reference. Meetings of the Authority are held in public (save for individual items of a sensitive nature properly considered in confidential session) with publicly available agendas and minutes, and members of the public may ask questions and make representations on relevant matters at meetings. The roles and responsibilities of the Members and officers are further defined in Member/Officer job descriptions and there is a Local Protocol for Member and Officer Relations.

The roles of Chief Executive, Monitoring Officer and Chief Finance Officer are filled. Trevor Beattie was appointed as Chief Executive in early 2012. The SDNPA has taken a decision to have a small directly employed corporate centre and a range of contracts for key support services in order to ensure value for money. This includes the provision of the Chief Finance Officer function. In reaching this decision the SDNPA took into account the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010). In relation to a previously identified required action, a three year contract for the provision of financial services and Chief Finance Officer support was procured during the year and the CFO function is performed under this contract by the Director of Finance at Brighton & Hove City Council. There are agreed protocols for consultation with the CFO or Deputy CFO on key decisions and advice to the Authority and its committees. The Deputy CFO attends fortnightly meetings of the SDNPA's Management Team on the CFO's behalf in order to ensure a sound understanding of the organisation's key priorities and risks. In

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<sup>1</sup> <http://www.southdowns.gov.uk/about-us/key-documents>

addition, the SDNPA is in the process of procuring ICT and legal services.

Following the procurement audit in 2010-11 and an investigation that was completed in 2011-12, and in relation to a previously identified required action, changes were made to procedures during the year to improve controls including the introduction of a triplicate manual purchase order and additional training and support. In addition, preparations for a full e-procurement system and for the introduction of purchasing cards were started due for implementation in May 2012.

- The SDNPA has established a systematic strategy, framework and processes for managing risk. A risk register is maintained, and reviewed on a quarterly basis at meetings of the Audit Committee. This enables relevant risks to be identified and evaluated, with consideration given to appropriate mitigation strategies. A review of the Risk Management Strategy was reported to the Audit Committee in January 2012. Risk workshops with staff were carried out in April 2012.
- There are Codes of Conduct for Members and officers in place and performance appraisal processes for both. Training is given to Members on the Code of Conduct and there is a Register of Members' Interests. The Authority is in the process of considering successor standards arrangements for the conduct of Members following the implementation of the Localism Act 2011. There is currently a Standards Committee which monitors the ethical framework of the Authority and there have been no allegations of failure to comply with the Code. Provision has been made for an annual report on complaints received to be considered by the Authority's Standards Committee, so that the Authority can be assured that the procedure is working well and that lessons for services improvement are being identified wherever practicable. The SDNPA has a Whistleblowing Policy, approved in April 2011, with confidential reporting arrangements in place to enable internal and external whistle-blowing. There is an Anti-fraud and Corruption Policy in place, again approved in April 2011, and the Complaints, Compliments and Comments Policy (information about which is on the SDNPA's website) which was reviewed in April 2012.
- The SDNPA's Financial Regulations provide a framework for the management of the Authority's financial affairs. The SDNPA has also adopted a Treasury Management Policy and Annual Investment Strategy. In relation to a previously identified required action, monitoring of the first operational budget was conducted during the year and findings incorporated into the budget planning process for 2012/13. Contract Standing Orders set out arrangements governing the award of contracts, to ensure that procurement processes are fair transparent and lawful, and that best value for money is being obtained. Payment of allowances to Members is made in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

Members have a key role in providing assurance that the Authority's funds are used economically, efficiently and effectively in accordance with agreed policies. The financial strategy and budget is agreed by the Authority following scrutiny by the Resources and Performance Committee, who receive reports on budget monitoring. The Authority has an Audit Committee with membership that includes two independent members. This ensures the provision of appropriate skills and experience in the scrutiny of the Authority's arrangements for financial control and risk management, and enhances transparency. A review of the effectiveness of the Audit Committee was started during the year.

The Authority's accounts are subject to external audit on an annual basis and reported to the Audit Committee at a public meeting. The Authority has received reports on the matter of securing long term premises, exercising due care to ensure that the needs of the authority are met in the most appropriate way. Internal audit support has been provided under a service level agreement by Brighton and Hove Council's Internal Audit

Services. The Authority's external auditors, the Audit Commission, review the appropriateness of internal audit arrangements and accordingly place reliance on the work done.

In relation to a previously identified required action, the planning efficiency exercise with Local Planning Authorities was conducted and the results used to inform service level and fee negotiations for 2012/13. A new system for monitoring and accounting for planning activity undertaken by Local Planning Authorities was introduced during the year.

- Compliance with relevant legal requirements and the SDNPA's procedures is facilitated by a range of controls. Policies are in place to regulate how the Members and officers use the resources available to them. Regular audits conducted internally and by external auditors provide assurance that the procedures are being adhered to. The SDNPA receives legal advice and Monitoring Officer support as appropriate via service level agreements. This advice includes input into significant Committee/Authority papers. In 2011-12 no formal reports by the Monitoring Officer, further to section 5 of the Local Government and Housing Act 1989, were necessary.
- Member and senior officer learning and development needs are identified and met through induction programmes, the performance management/appraisal system, the Learning and Development Policy for officers (with individual staff learning and development plans) and the Member Development Strategy (with individual Member development plans). There are annual Member discussions about development needs. In relation to a previously identified required action, there have been a number of informal training sessions for Members on various aspects of their responsibilities and to aid the development of policy.

In relation to a previously identified required action (training for new permanent employees), all budget managers have received both one to one training in budget management and also group training sessions covering Financial Procedures and administration, further budget management and closedown. All financial guidance and procedure notes are available on the Authority's Intranet. Further training will be provided in e-procurement and the use of procurement cards for appropriate staff during May 2012.

- A key element in the SDNPA's guiding principles is working with partners and community groups. The SDNPA has therefore developed and maintained a range of relationships and arrangements with other agencies in the public, private and voluntary sectors, to ensure that they are able to engage with and contribute to the work of the Authority. The SDNPA has entered into an Accord with Natural England and Memoranda of Understanding with the South Downs Network and South Downs Land Management Group. A Memorandum of Understanding with the Associations of Local Councils within the South Downs has also been agreed. The Authority has made Member appointments to a number of local partner organisations and groups including the South Downs Local Access Forum, East and West Sussex Rural Forums. There is now a formal reporting back mechanism for those SDNPA Members appointed to outside bodies. The SDNPA has worked this year to develop the South Downs Partnership. The SDNPA has a communication strategy and now has a Statement of Community Involvement which was finalised in March 2012. The SDNPA has conducted a visitor survey as well as operating on-line consultations.

#### **4. Review of Effectiveness**

- 4.1. The SDNPA 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 of the system is informed by the work of the Senior Management Team and other officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, the

work done to produce the Local Code of Corporate Governance, which was the subject of consideration by the Authority's Audit and Standards Committees during the year, and also by responding to comments and recommendations made by external auditors and other review agencies and inspectorates. A draft of the statement has been approved by the Audit Committee.

- 4.2. The SDNPA's Chief Finance Officer and Monitoring Officer have also provided assurance that there have been no significant control issues that have:
- required the need for formal action in their respective roles,
  - required the need for significant additional funding,
  - had a material impact on the accounts; or
  - resulted in significant public interest, damaging the reputation of the Authority.
- 4.3. Although a review of the effectiveness of the Governance arrangements is reported once per year to the Authority, the process of gathering evidence and monitoring performance is continual and is managed through reports to the Authority and to the Audit, Standards and Resource and Performance Committees.
- 4.4. The following key areas of work have been conducted during 2011/12:
- significant programme of training for permanent employees rolled out,
  - planning efficiency exercise conducted,
  - local Code of Corporate Governance introduced,
  - support services procurement including financial services and ICT; and
  - review of the Complaints, Comments and Compliments Policy.
- 4.5. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **5. Significant governance issues**

- 5.1. No significant governance issues have been identified.
- 5.2. Actions for 2012-13 include the following:
- development of a comprehensive approach to equality and diversity
  - development of an environmental management strategy
  - review processes for approval and ongoing monitoring of externally received grant funding, particularly when undertaken in partnership
  - completion of the review of the effectiveness of the Audit Committee
  - introduction of e-procurement and the roll out of purchasing cards where appropriate
  - review of the skills and expertise needed to manage capital works
  - ongoing monitoring and assurance of procurement processes

Signed: Chair of the Authority

Signed: Chief Executive (National Park Officer)

Date:

2012