



Annual Governance Statement

Scope of responsibility

Lewes 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.

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, which includes arrangements for the management of risk.

Lewes District Council has approved and adopted a Local 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 available on the website (www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance)

This statement explains how the council has complied with the code and also meets the requirements of Part 2, 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

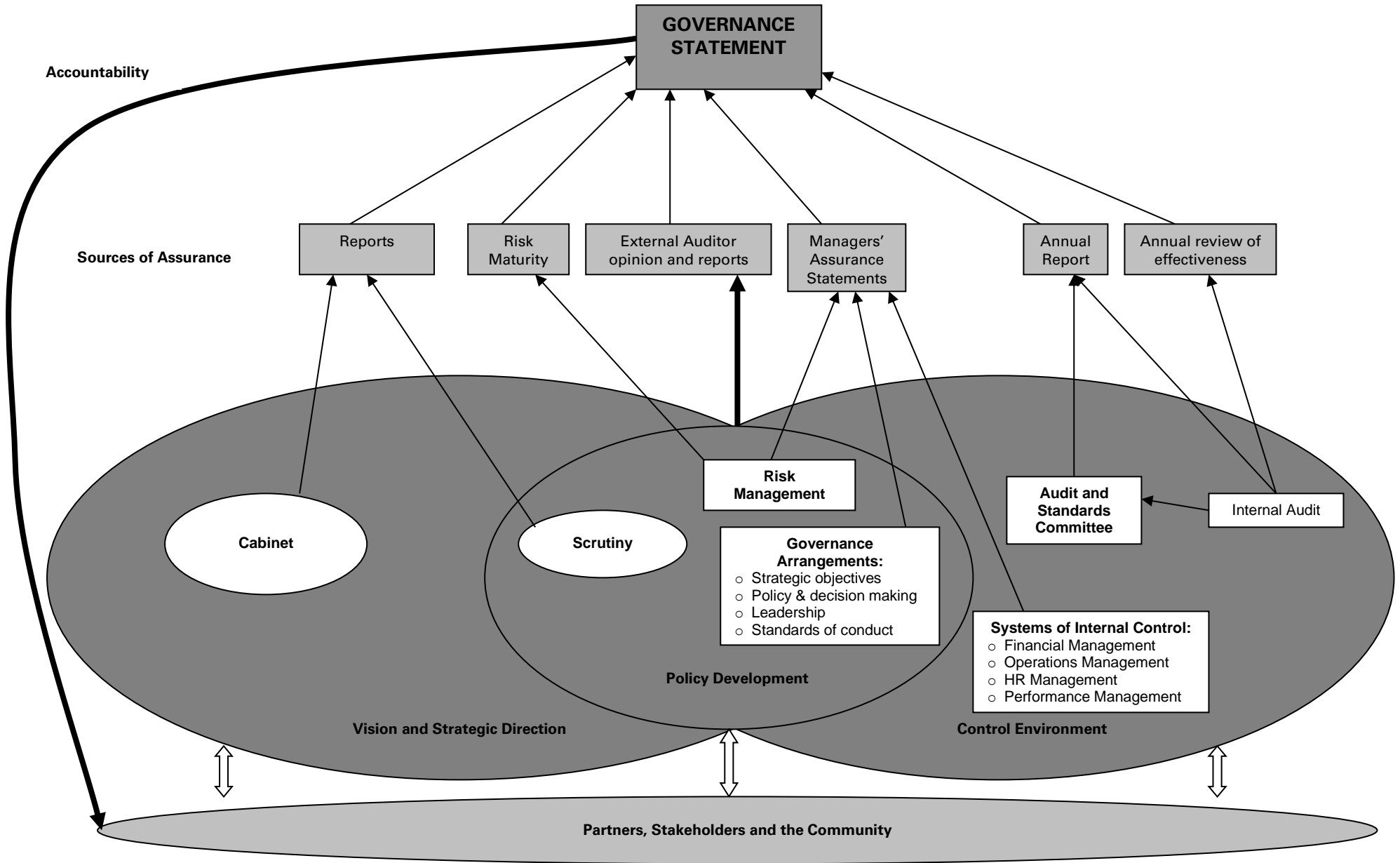
The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable 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 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. 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 and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31 March 2020 and up to the date of approval of the Annual Accounts.

THE GOVERNANCE FRAMEWORK



THE GOVERNANCE FRAMEWORK

The diagram of the governance framework at Lewes District Council demonstrates how the information concerning the needs, requirements and views of partners, stakeholders and the community are used in decision making processes across the authority and eventually feeds into the Annual Governance Statement as part of our accountability to the community.

Key elements of the systems and processes that comprise the authority's governance arrangements are described below.

A meeting of the Full Council approved the new Corporate Plan for 2016-20 in February 2016. A new plan for 2020-24 was approved by Full Council on 24th February 2020. The Corporate Plan is considered to be a dynamic document and therefore subject to annual review and refresh. The plan sets out the goals and ambitions for the next four years.

The Constitution is the fundamental basis of the council's governance arrangements. The Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the people it serves. Some of the content of the constitution is required by law and other content is for the council itself to determine. There is also a raft of legislation which is reflected in the constitution e.g. Access to Information. The constitution also details the responsibility for functions and roles across the council including Council, Cabinet and committees (see "The Modernised Political Structure – How It Works" diagram). It also contains a Scheme of Delegation which allows officers to take decisions on behalf of the council. The responsibilities of each officer are clearly documented.

Standards of behaviour and conduct of Members and staff are laid down in relevant sections of the constitution. Other relevant policies include the Anti-Fraud and Corruption Policy (containing sections on Whistleblowing and the Bribery Act), disciplinary and grievance procedures and the Dignity at Work Policy. The Monitoring Officer and the Standards Panel have responsibility for considering complaints against Members. All policies and guidance are available to staff and Members on the council's intranet.

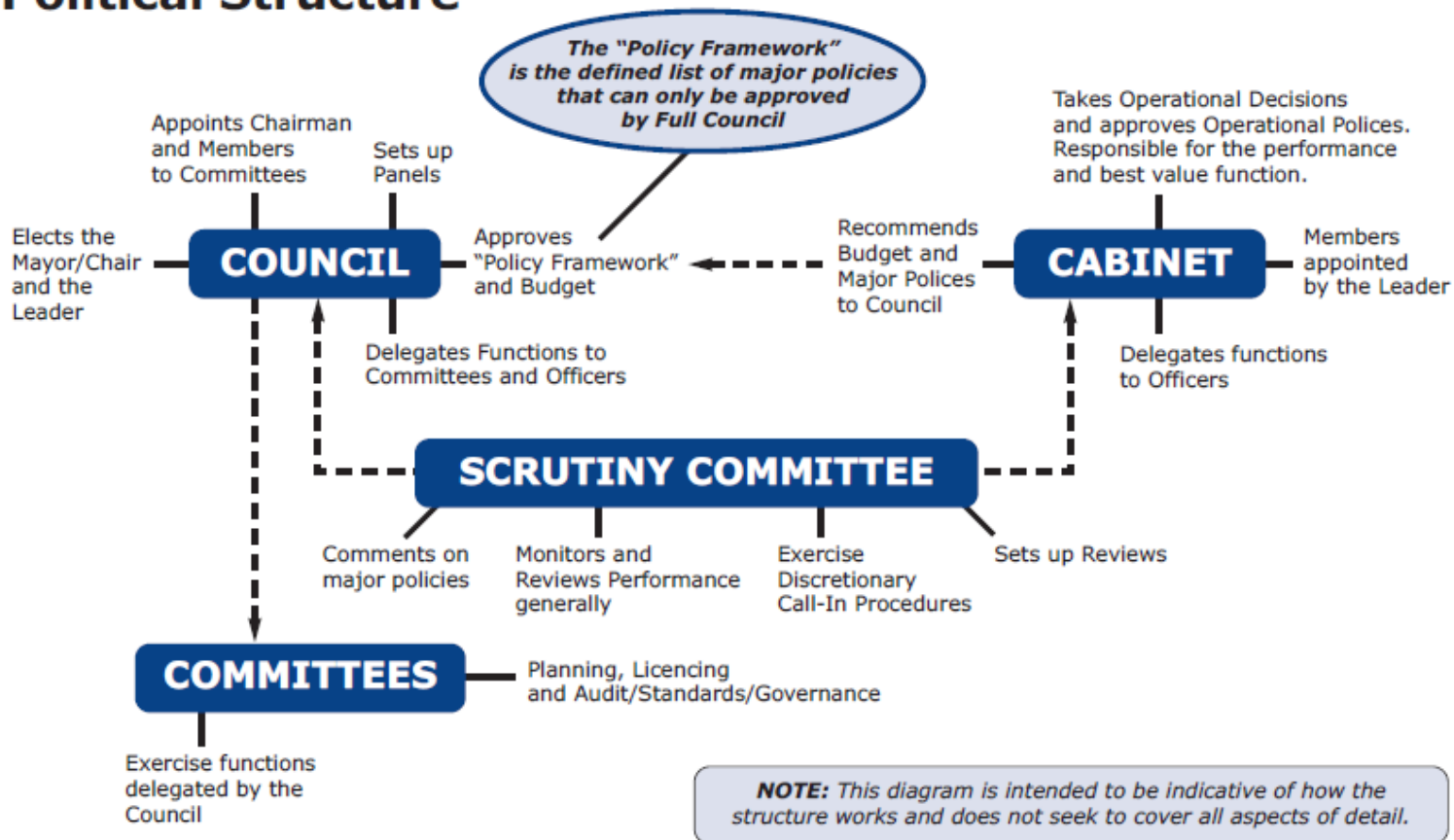
All aspects of the decision making framework, including schemes of delegation, are contained in detail in the council's constitution and summarised in the articles of the constitution. The content of this document is specifically ratified each year by the annual meeting of the Council. Any proposed changes to the council's constitutional rules and delegations can be considered at any time, drafted, and put to the next available Council meeting for decision. Different elements of the constitution are owned by the Monitoring Officer and the Section 151 Officer as relevant. The Constitution is published in full on the council's website.

The council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. The Strategic Risk Register is reviewed by the Corporate Management team quarterly.

The terms of reference for the Audit and Standards Committee include the requirement to review the effectiveness of the council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.

How it Works...

The Modernised Political Structure



The council holds an Anti-Fraud and Corruption Policy which contains sections on Whistleblowing, Anti Money Laundering and the Bribery Act. The council has a Counter Fraud team which proactively seeks out cases of fraud across all areas of the authority. The council also participates in the biennial National Fraud Initiative programme which seeks to identify fraud by matching data with other authorities and agencies. An overview of these areas is set out in the terms of reference for the Audit and Standards Committee.

The Chief Finance Officer and s.151 Officer role is a member of the council's Corporate Management Team. In this position the Chief Finance Officer and s.151 Officer has input into developing and implementing strategies and advising on financial resources. The Chief Finance Officer and s.151 Officer is responsible for developing the authority's financial strategies and will consider business decisions in line with these. The Chief Finance Officer and s.151 Officer manages the Finance and Internal Audit teams and is a suitably qualified accountant. The council therefore conforms with the governance arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The council holds Financial Procedure Rules and monthly budget monitoring meetings are held by Finance staff with managers responsible for budgets. Financial performance is reported regularly to Members.

The Chief Internal Auditor proposes a risk-based audit plan for the year which is discussed with, and agreed by, the Corporate Management Team and the Audit and Standards Committee. It is ensured that the scope of the plan is sufficient to allow the Chief Internal Auditor to be able to use the evidence gained during the year to base the opinion of the control environment upon at the end of the year. Each audit review carried out during the year is given an assurance rating based on the risks and controls in operation in that area. Each of these is taken into consideration when the annual report of the work of Internal Audit is written and feeds into the overall opinion of the control environment operating at the authority.

The Chief Internal Auditor undertakes an annual review of the Internal Audit function which assesses the function against the Public Sector Internal Audit Standards. The results of this self-assessment and any non-conformity with the standards is reported to the Audit and Standards Committee.

The role of Monitoring Officer sits with the post of Assistant Director of Legal and Democratic Service. As monitoring officer, the post has appropriate autonomy and/or a direct reporting line to the Chief Executive. The function is also supported by a designated deputy and a network of officers trained in investigative procedures. Reporting line to members is to a specifically constituted Standards Sub Committee which in turn reports to the council's Audit and Standards Committee.

The council has established an Audit and Standards Committee. The committee generally conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities". Its terms of reference include:

- To receive reports on and to monitor the operation of the council's constitution;

- Have an overview on the council's whistleblowing policy;
- Deal with audit or ethical standards issues which may arise;
- Carry out independent scrutiny and examination of the council's processes, procedures and practices with a view to providing governance arrangements and risk and financial management;
- Meet the requirements of the Audit and Account Regulations Act 2015;
- Consider reports from the external auditors;
- To make recommendations to Council, the Cabinet or Scrutiny as appropriate with a view to improving the effectiveness, accountability and transparency of the decision making process and the council's governance arrangements;
- Promoting and maintaining high standards of conduct within the council and monitoring the operations of the council's codes of conduct and registers of interest.

The council holds a Whistleblowing Policy which forms part of the Anti-Fraud and Corruption Policy. This clearly sets out how concerns raised should be handled, recorded and reported. The authority also has a Comments, Compliments and Complaints procedure. The public may contact the council with a complaint via telephone, email, letter or online. A page on the website clearly explains the process. Complaints are managed and monitored using performance management software. Similarly the public can make complaints about Councillors. Information on how to do so can also be found on the website. These complaints are handled by the Monitoring Officer.

When there is a change of administration or a raft of new Councillors then a general induction programme is organised. Annually the leaders of the parties will discuss with members any specific training or development needs. Human Resources will then put together a programme of training events for Members to attend. There are also statutory updates. Senior officers have annual appraisals at which any training and development needs are identified. Some of this may be necessary CPD (continuing professional development) required for professional memberships.

Annual bespoke consultation is designed each year alongside the Corporate Plan, budget and service planning processes jointly owned by senior management and Scrutiny. This consultation uses a variety of methods including social media, online surveys, presentations to groups and open public sessions to test the proposed priority projects in the annual refresh of the Corporate Plan.

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 effectiveness is informed by the work of the senior managers 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 and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following elements:

Internal Audit and Counter Fraud

The council's Internal Audit section is an independent assurance function that reports on the adequacy of the whole system of internal control across the authority.

From July 2017 this service has been provided by a shared service between Eastbourne Borough Council and Lewes District Council.

The Chief Internal Auditor carries out an annual self-assessment of the Audit function and states that the section generally conforms with the Public Sector Internal Audit Standards (PSIAS). During the financial year 2016-17 an external peer review has been carried out and this also concluded that the work of the section generally conforms with the standards. This was reported to the Audit and Standards Committee.

Quarterly and annual reports on the work carried out by the Internal Audit function are considered by both the Corporate Management Team and the Audit and Standards Committee. The "audit opinion" of the control environment, including IT governance, given in the annual report feeds into the Annual Governance Statement.

The opinion of the Chief Internal Auditor, as noted in the annual report on the work of Audit, was that the internal controls in processes and IT systems across the authority were generally found to be sound. This must be caveated by noting that it has not been possible to carry out a full annual review of IT as the team has been too busy carrying out Covid related work. However a light touch review, which did not include testing, was undertaken. Full testing will be carried out at the next annual review. During the year Internal Audit also noted that it appears that data/documents are being retained beyond the time limits as set down in the Retention and Disposal Schedule.

The council has a strong counter fraud culture that is supported by Councillors and officers. The Counter Fraud team works closely with officers in other departments to prevent, detect and investigate fraud, particularly in the areas of housing tenancy fraud, Council Tax fraud and Right to Buy fraud. The outcome of this work helps to inform the opinion of the control environment. The council

works closely with the national Single Fraud Investigation Service (SFIS) in the Department of Work and Pensions to ensure an effective response to cases of Housing Benefit fraud.

The Strategic Risk Register has been adopted by the Audit and Standards Committee. The register is reviewed quarterly by the Chief Internal Auditor and the Corporate Management Team and any changes are reported to the Audit and Standards Committee.

Managing the Risk of Fraud and Corruption

The CIPFA Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

Corporate Management Team

The roles of this team are to provide strategic management and planning, oversee priority and budget setting, service planning and performance management. The team provides organisational leadership, engages with Cabinet on strategic issues/direction and, in partnership with members, develops relationships with key stakeholders.

Individual members of the team are responsible for the performance of their relevant department/service area, progress of their relevant portfolio themes and liaison with portfolio holding members.

The Corporate Management Team gives consideration to the Internal Audit Plan, Strategic Risk Register and Annual Governance Statement.

Consideration was given by the Corporate Management Team to any significant non-delivery of strategic objectives, potential exposure to loss through fraud, corruption or error and litigation through non-compliance. No instances were identified as significant governance issues.

Audit and Standards Committee

The Audit and Standards Committee is responsible, amongst other things, to carry out independent scrutiny and examination of the council's financial and non-financial processes, procedures and practices to the extent that they affect the council's control environment and exposure to risk. This is with a view to providing assurance on the adequacy and effectiveness of internal controls, risk, financial and performance management, fraud detection and prevention and the work of Internal Audit.

The Audit and Standards Committee reviews reports submitted by the Chief Internal Auditor including the Annual Governance Statement, Internal Audit provision, all internal audits and the Strategic Risk Register. It also considers the annual financial statements including the Annual Governance Statement in July.

Scrutiny Committee

The Scrutiny Committee meets to review the delivery of services as a result of previous council decisions, the performance of existing policies and strategies, the submission of performance indicators and recommend appropriate courses of action to the Council or Cabinet.

The Scrutiny Committee reviews the delivery of services and performance and supports the work of the Cabinet and the Council as a whole. It allows Councillors outside the Cabinet and members of the public to have a greater say in council matters by investigating issues of local concern. It also acts as the council's Crime and Disorder Committee to look at the formulation and implementation of the Crime and Disorder strategies.

Cabinet

The Cabinet appoints the Leader who appoints members of the Cabinet. The Cabinet meets seven times in the municipal year. Each member of the Cabinet has a portfolio for which they are responsible.

Cabinet can consider the External Auditor's Annual Audit and Inspection Letter and other commissioned reports. It also sponsors and recommends the adoption of the accounts.

External Reviews

The external auditor's Annual Audit Letter and other commissioned audit reports are presented to, and considered by, the Audit and Standards Committee.

Reviews carried out by external agencies, e.g. APP; Benefit Performance Review; RIPA inspection, which impact on the governance framework are taken into consideration when preparing the Annual Governance Statement.

In December 2019 the Investigatory Powers Commissioner's Office carried out an inspection of the governance arrangements for covert surveillance activity. No major areas of non-compliance were identified but it was recommended that

covert surveillance policies be expanded to encompass powers to use a Covert Human Intelligence Source (CHIS) and to acquire communications data.

In October 2019 a consultant from Zurich (Insurance Group) conducted a review of the council's risk management framework. The priority areas in need of improvement included:

- align risk strategy framework across both councils and relaunch
- run CMT and Member risk awareness sessions
- raise profile of risk management generally across the authorities
- more proactive risk identification and horizon scanning through all levels
- clearer understanding of acceptable risk appetite.

Work to address these areas began but was postponed owing to the Covid-19 lockdown. These actions will be addressed in the financial year 2020-21.

Managers' Assurance Statements

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors and Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

A review of the returned Managers' Assurance Statements for 2019-20 revealed three main topics which were repeated across several statements. These were document retention; the demand on, and capacity of the Finance team; and the effects of the response to Covid-19. As the lockdown response to Covid-19 only came into effect on 23rd March 2020 this did not have much effect on the financial year 2019-20. However, the implications were recognised at the time and have been evaluated further since. This is discussed further below.

Taking into account the responses from the Managers' Assurance Statements and the awareness of issues across the authority that the Internal Audit Team are aware of, the following items were discussed by CMT to consider whether they should be noted as significant governance issues or just noted in the body of the Annual Governance Statement.

Document retention	this issue was raised in several statements. The work of Internal Audit throughout the year also noted issues with retention of documents. Corporate Management Team considered this and acknowledged that there is an issue both in the culture of the authority and a more technical issue of how to destroy old records. However a project group has been set up to look at document retention and disposal and through this project the council is
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addressing the issue of document retention in the following areas:

- Documents saved in personal/team folders.
- Documents saved in IT systems (eg. housing management system).
- Documents saved in emails.
- Physical, paper documents stored in council buildings.

The project is one that has been able to progress during the Covid-19 pandemic and the project team will be presenting an update to the project board in August 2020. The cultural/ways of working aspect to document retention is being considered by the project and proposals for how this can be managed will also be considered by the project board.

Finance team concerns over the demand on Finance outweighing the capacity of the team were also raised, with some Heads of Service feeling that there was no clear, direct access to an Accountant. This was discussed by the Corporate Management Team and it was agreed that this was an issue but that it was not considered to be a significant governance issue and therefore should just be mentioned in the body of the Annual Governance Statement.

Housing software Last year issues around the new housing software were raised by several respondents and it was agreed that this did constitute a significant governance issue and was reported as such. During the financial year much work has been undertaken to improve the system and the relationship with the provider. A new contract has been agreed and, with this, an improvement plan put in place that runs until September. However the Corporate Management Team agreed that until all the issue have been addressed this should remain as a significant governance issue and it is shown in the Annual Governance Statement as such.

Delay of publishing Statement of Accounts

The Audit and Standards Committee raised the issue of the 2018-19 Statement of Accounts not having been issued. This was raised with the Chief Finance Officer to consider including this issue in the Annual Governance Statement. It was agreed by the Chief Finance Officer that the reasons causing the delay in issuing the Statement of Accounts, for which the council has responsibility, have already been identified in this report (see Finance Team and Housing Software above). There is also a dependency on the external auditors to have resourcing capacity to complete the review of the accounts and the council is currently

actively pursuing this issue. As all of the risks are being managed, the Chief Finance Officer is of the opinion that this does not currently constitute a “significant governance risk” and it is therefore included here in the body of the report.

Covid-19 Pandemic

When lockdown began at the end of March 2020 the council had to act swiftly to be able to continue to provide the statutory services to the public whilst closing the contact centre and having the majority of staff change to working from home. Significant pieces of work were undertaken to ensure staff were set up to work from home as soon as possible, to ensure that as many services as possible were available on-line and to set up staff and members to be able to have virtual meetings through software. The response has given assurance that the council can cope with rapid and substantial changes within a short period of time.

Initially priorities changed to dealing with the immediate responses. These included dealing with increased benefit claims, handling and distributing government grants, welfare calls to tenants and provision of food parcels. Key functions and systems have been maintained partially aided by redeployment of staff.

Currently it appears that central government will not cover the full cost of the pandemic to the council. Loss of income from Tourism and Events is unlikely to be considered at all by government. The council is in discussion with government to arrange for reasonable costs to be covered.

The loss of income from Business Rates and Tourism and Events in particular, but also from other areas of income, e.g. commercial rents and land charges, will clearly have a significant impact on the finances of the council and its ability to complete projects in the medium and longer term.

The Coronavirus Act (2020) allows authorities to conduct meetings and take decisions in ways other than face to face. The council reviewed committee meetings and initially held those where decisions needed to be made and postponing others. Virtual meeting were gradually implemented to enable committee meetings to be held.

The council has been hugely impacted by the response to the Covid-19 pandemic. The risks around this will affect the council in 2020-21 and these will be reviewed in more details in the Annual Governance Statement for that year.

SIGNIFICANT GOVERNANCE ISSUES 2019/2020

NB – the following issue was noted in the Annual Governance Statement last year. It is still considered outstanding so it is shown again as a significant governance issue for 2019/20. The issue and the action have been updated to reflect progress changes within the financial year.

Area	Issue	Action
Housing software	<p>A new housing system was implemented in December 2018 which has not met the outcomes expected. These outcomes were critical in delivering greater efficiencies and improved financial reporting.</p> <p>There have been ongoing issues with Transformation and ICT staff resources being diverted to identify and rectify/mitigate issues.</p> <p>There have been ongoing issues requiring additional Finance officers to be allocated to support housing system in order to resolve reporting problems.</p> <p>Knock on effects mean that the statutory deadline for completion of the annual accounts was missed.</p>	<p>The issues have been monitored and mitigating actions which were put in place previously had to be reassessed and additional steps were taken.</p> <p>A conversation is ongoing with the supplier to rectify the issues. A new contract has been negotiated and an action plan agreed which will be monitored.</p> <p>A post implementation review which was expected to be carried out in 2019/20 will now be carried out by Internal Audit later in 2020/2021.</p>

STATEMENT

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Standards Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Lewes District Council:



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Leading Member



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Chief Executive

Date: 29/09/20