

North York Moors National Park Authority Finance Risk Audit and Standards Committee

6 June 2016

Annual Governance Statement

1. Purpose of the Report

- 1.1 To seek Members' initial input to the Annual Governance Statement that will be included in the Authority's Statement of Final Accounts for the financial year 2015/16.
- 1.2 To discuss with Members ways in which the governance work on Fraud and Corruption Risk can be taken forward.

2. Background

- 2.1 The Audit and Accounts Regulations 2015 require that the Authority produces an Annual Governance Statement (AGS) which is reviewed at least annually, approved by Members and can either be included in the Statement of Accounts or published as a separate document, but must be done within the same timescales.
- 2.2 The Authority has agreed to continue to publish the AGS as part of the Statement of Accounts and not as a separate document. It had always been conscious that governance covers a much wider area than strictly financial matters and has sought to reflect this in its AGS.

3. Discussion

- 3.1 The AGS explains the nature of the culture and controls that the Authority has had in place during the period covered by the accounts, in this case 1 April 2015 to 31 March 2016. It also describes how these have been monitored and reviewed during the period and how changes and improvements are identified. The draft AGS proposed for inclusion in the Statement of Final Accounts is provided at **Appendix A**.
- 3.2 The Authority follows best practice guidance in developing the AGS.
- 3.3 Through the routine work of this committee, Members are involved in reviewing the Corporate Governance procedures that the Authority has agreed to follow. The AGS therefore serves to confirm what mechanisms are in place and how they have been updated and implemented during the year in question. The AGS includes a summary of the actions taken in the current financial year and actions planned to be undertaken in 2016/17 in order to improve the corporate governance arrangements. The Authority's AGS therefore goes well beyond the minimum requirements by covering the non-financial aspects of governance such as ethical standards, complaints and engagement with the public. Particular attention has been paid to the accountability aspects of governance over the last year.

- 3.4 Andy Breckon has reviewed the attached document in his role as the Independent Person.
- 3.5 The document has been developed giving consideration to the discussions at this committee in February in relation to the Annual Standards and Ethical Review, which included a discussion of the items to be included in the work to be undertaken in the 2016/17 financial year.
- 3.6 Since the meeting in February our auditors KPMG have conducted preparatory work for the audit of the 2015/16 accounts in the summer. One of the issues that this highlighted was that it has been a considerable period of time since the Fraud and Corruption Risk was discussed by Members. Although there are many systems in place for the prevention and detection of fraud the Policy Framework which is included in the Members Handbook has not been reviewed by Members since 2006. Fraud and Corruption is monitored as a risk on the Corporate Services Departmental Risk Register but is no longer reported to Members as a high level Strategic Risk. The rationale for this is that the control systems, especially in relation to procurement, grants, income and expenses are effective and therefore, it has been judged as lower risk.
- 3.7 In the light of this a review of this Policy Framework has been proposed as an action in 2016/17 following discussions with the Chair of this Committee, and Members views on this review and Member involvement are requested. CIPFA have issued guidance which recommends that organisations adopt the following principles:
- acknowledge the responsibility of the governing body for countering fraud and corruption
 - identify the fraud and corruption risks
 - develop an appropriate counter fraud and corruption strategy
 - provide resources to implement the strategy
 - take action in response to fraud and corruption.

The Authority's governance arrangements have already embedded these principles but, given the passage of time and changes to the culture of the organisation, it is potentially an ideal opportunity to take stock and review the policies in line with the Code of Practice on Managing the Risk of Fraud and Corruption. The guidance on this recognises the issue of proportionality and Members should be aware that the opportunities for fraud and corruption to take place are relatively limited and the systems of internal control are designed to prevent and detect fraud and appropriate action has been taken when investigations have identified fraudulent activity. Members should note that the need to undertake investigations is extremely rare, on average less than one a year and the figures involved have been below £2,000 and the only instances have related to car parking machines.

4. **Financial and Staffing Implications**

- 4.1 There are no significant staffing implications to this report.

5. **Legal and Sustainability Implications**

- 5.1 It is a legal requirement for the Authority to produce an AGS for the year 2015/16.

6.	Recommendation
6.1	That Members review the Draft Annual Governance Statement attached at Appendix A and make any suggestions for amendment to be incorporated into the accounts for approval in September.
6.2	That Members provide views on how to progress the work detailed in paragraphs 3.6 and 3.7.

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Background documents to this report

File Ref.

1. CIPFA/SOLACE Delivering Good Governance in Local Government Framework & Guidance Note for English Authorities 2007
2. CIPFA - The Role of the Chief Financial Officer 2010
3. CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework 2010
4. CIPFA/SOLACE Delivering Good Governance 2012 (note this is being reviewed)
5. NAO Guidance on AGS
6. Annual Standards and Ethical Review Report to Finance, Risk, Audit and Standards Committee, 3 February 2015
7. CIPFA Code of Practice on Managing the Risk of Fraud and Corruption: Guidance Notes 2015

Annual Governance Statement

1. Scope of Responsibility

The North York Moors National Park Authority ('the Authority') 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. The Authority 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 Authority is responsible for putting in place proper arrangements for the governance of its affair and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Authority has adopted an Ethical Framework, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the overall governance framework in operation by the Authority. A copy of the Authority's Values Statement and Ethical Framework is available on our website <http://www.northyorkmoors.org.uk> in the publications section or can be obtained from; Director of Corporate Services, North York Moors National Park Authority, The Old Vicarage, Bondgate, Helmsley, YO62 5BP. This statement explains how the Authority has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

The governance framework comprises the values, systems and processes for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. 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, cost-effective services in pursuit of National Park purposes.

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 objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of the Authority's objectives, to evaluate the likelihood of those risks occurring and the impact should they occur, and to manage them efficiently effectively and economically.

The governance framework has been in place for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

Accountability

National Park Authorities are independent, special purpose bodies working within the framework of local government. Their unique governance arrangements combine elements of accountability to central government (via Department for Rural Affairs and Department for Communities and Local Government) and to local communities

reflecting the needs of national and local customers. Local accountability is achieved via the appointment of elected Members by local government and other mechanisms.

The other mechanisms are varied involving the statutory appointment of elected Parish Councillors to the Authority and a wide variety of voluntary mechanisms. The Authority makes great effort to ensure that voluntary mechanisms are as open, inclusive and transparent as possible. They include (omitting statutory requirements):

- Customer Service Excellence success has continued with the Authority being fully compliant with all 57 elements of the Standard and 'Compliance Plus' (best practice) in 9 of these. The latest assessment took place on 9 May 2016 and this level of performance has been maintained.
- The arrangement of regular Parish Forums which are attended by Members, the Chief Executive and Directors this is supplemented by an annual Joint Parish Forum. Members of the public can ask questions without giving notice at these events.
- The Authority has two other Forums; membership is drawn from a wide range of interested parties as well as Authority Members to discuss topical issues in relation to Awareness, Recreation and Business and Conservation and Land Management
- Representatives of groups of users otherwise under-represented as Members (young people, disabled people, BME groups and volunteers) address the Authority meeting directly. There is a quarterly Disability Advisory Group in which Officers work jointly with representatives of a variety of disability groups.
- Periodic surveys of satisfaction with Authority Services are undertaken plus quadrennial Park wide surveys of residents' views.
- Triennial State of the Park Reports published with consistent long running data sets where possible.
- The Scheme of Delegation allows members of the public and representatives of the parish to address the Planning committee.
- Wide and effective consultation mechanisms using a number of different communication channels
- User groups such as the regular Primary Land Users Group and officer attendance sectoral groups and at Parish Council meetings.
- Publication of full pension, allowance and salary details of all staff earning over £50k
- Publication of Member allowances
- Publication and access to documents within the Publication Scheme including but not exclusively details of all invoices over £500.
- Standards are reviewed in consultation with the Independent Person on an annual basis.
- Feedback to the Authority can take place by phone, letter, e-mail or using a variety of social media.

The Authority regularly monitors Complaints and Compliments and reports these to the Finance, Risk, Audit and Standards Committee which also considers any reports from the Local Government Ombudsman. Processes are also in place to deal with complaints against Members via the Authority's Finance, Risk, Audit and Standards Committee, which has an independent person to advise it.

In 2015/2016, as at 31 March 2016 the Authority received 10 complaints of which, 2 were justified or partially justified and two were referred to Members on 1 June 2016 for consideration. In the same time period the Authority also received 62 compliments details of all these are reported quarterly to Members. As at the same

date the Local Government Ombudsman had received one complaint which was then referred back to the Authority for local determination under the Authority's complaints process.

The Authority received no complaints relating to the Conduct of Members in the 2015/2016 financial year. This is particularly reassuring in a year when a major planning decision took place.

Internal

The Authority's governance framework seeks to ensure that the principles of good governance are embedded into all aspects of its work. This has been achieved by the adoption of the Ethical Framework which aims to embed the Authority's core values into the day to day operations of the Authority. Both the Ethical Framework and Staff Code of Conduct were updated in 2015.

The Authority's objectives are defined and established by the National Park Management Plan. The Management Plan was approved in June 2012 following widespread engagement with partners and stakeholders. Progress against the overall long term objectives of the Management Plan can be identified via regular reporting against a broad range of targets and strategic indicators.

The Business Plan 2012-2015 confirms the strategic priorities that have been developed from the long term objectives, establishes the Financial Principles that underpin the strategic financial management of the Authority and describes how activities over the medium term will contribute to their achievement. The Authority has approved two interim Business Plans to cover the 15/16 and 16/17 financial years.

The forthcoming 3-4 year Business Plan (2017-2020) includes forecasts of income and expenditure over the medium term, allocating indicative resources to the objectives based upon the best available information. This forms the basis of the Medium Term Financial Strategy and assists in identifying any potential financial risks. This is reviewed annually as part of the budget setting process and ensures that resources and objectives are appropriate aligned.

The Authority has an established Committee Structure with an associated Scheme of Delegation to ensure that decisions are taken in the most appropriate and effective manner. The Scheme of Delegation allows swift and effective policy and decision making by Members and managerial and operational decision making by officers within a framework of accountability to Government and local people.

Compliance with the regulations, procedures and statutory requirements is facilitated by a range of controls. Policies are in place to regulate how the Authority's Members and staff use the resources available to them. Regular internal audits are conducted by external auditors, providing assurance that the procedures are being adhered to. The Authority receive legal advice and Monitoring Officer support as appropriate in all aspects of its work via a contractual arrangement with Scarborough Borough Council with effect from 1 April 2012 following a tendering exercise. Advice includes detailed input into significant Committee papers, particularly the work of the Authority's Planning Committee. The Whistleblowing Officer role is externalised via this contract to increase objectivity and independence.

The management of risk within the business is embedded into the activity of the Authority. A risk register is maintained to identify significant operational risks and describe the mitigation measures in place to control them. The risk management

process is the responsibility of the Director of Corporate Services and is reported to Members in the spring of each year. Direct responsibility for controlling individual risks is delegated to the officer most closely involved in the operation that would be affected. More strategic risks, and the mitigation measures to control them, are included in the Authority's Business Plan and Annual Performance Plan.

The routine financial management of the Authority is described in detail by the Financial Regulations. The annual budget is approved by the full Authority prior to the commencement of the financial year. The Directors and Management Team receive reports on expenditure and income against the expected position at their respective bi-monthly meetings and take appropriate action to address any significant deviation from the plan. The quarterly meetings of the Finance, Risk, Audit and Standards Committee (FRASC) receive a formal report on the financial position, including a description of any significant variations that have been made. In November of each year, the annual budget is fully reviewed and revised to reflect the anticipated outcome for the whole year.

The Authority is compliant with the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010) with the exception of two issues which reflect the arrangements in place to provide certain services under contract. The Authority's Chief Financial Officer (s151 Officer) is the Assistant Director of Strategic Resources at North Yorkshire County Council. Her role as one of the three statutory officers and her professional qualifications and experience are consistent with the Statement. The arrangements for the Chief Financial Officer also give the Authority access to services of a specialist nature, such as Treasury Management and Insurance / risk management etc.

The Chief Financial Officer has direct access as required to the Chief Executive and Members of the Authority, and contributes to the meetings of the Directors as appropriate. She does not have line management of the staff working on financial matters within the Authority, but works closely with the Authority's Director of Corporate Services, who is professionally qualified, a member of the leadership team and Deputy Chief Financial Officer, and who plays a significant part in the organisational leadership and management of an internal finance function with suitably qualified staff.

Performance Management is conducted via the Finance, Risk, Audit and Standards Committee which meets every quarter. This committee receives reports on finance, risk management, complaints and compliments and it monitors performance against the Authority's Headline Indicators and Corporate Management performance indicators. The Directors and Management Team receives progress reports on the headline indicators where the data is collected on a monthly cycle.

4. Review of Effectiveness

The Authority 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.

This review is used to inform the contents of the Annual Governance Statement which prepared by the Director of Corporate Services in consultation with the Chief

Executive, Monitoring Officer, Chief Finance Officer, Assistant Director of Corporate Services, Finance and Performance and Support Officer and the following key Members.

- The Chair of the Authority
- The Chair of the Finance, Risk Audit and Standards Committee
- The Independent Person.

The following key areas of work have been conducted in 2015/16

- The Customer Service Excellence Standard was maintained and performance improved. The assessment in May 2016 concluded that the organisation was compliant in all 57 areas and achieved the Compliance plus level of best practice in the following 9 areas
 - We make particular efforts to identify hard to reach and disadvantaged groups and individuals and have developed our services in response to their specific needs;
 - There is a corporate commitment to putting the customer at the heart of service delivery and leaders in our organisation actively support this and advocate for customers;
 - We use customer insight to inform policy and strategy and to prioritise service;
 - We have improved the range, content and quality of verbal, published and web based information we provide to ensure it is relevant and meets the needs of customers;
 - We interact within wider communities and we can demonstrate the ways in which we support those communities;
 - We set appropriate and measurable standards for the timeliness of response for all forms of customer contact including phone calls, letters, e-communications and personal callers;
 - We value the contribution staff make to delivering customer focussed services and have measures in place to support this;
 - We can demonstrate that the information we provide to our customers is accurate and complete;
 - We have developed and learned from best practice identified within and outside the Authority.
- The Planning Customer Satisfaction Survey was undertaken in 2015/16.
 - The Appraisal Scheme has been reviewed and significantly adjusted for 2016/17 with the behaviours implicit in our Values featuring prominently in the revised Competency Framework.
 - Members approved an interim Business Plan for 2106/17.
 - Work on embedding the Volunteer Strategy has commenced and will continue into 2016/17.
 - Health and Safety Action Plans were updated and training was provided for Members, staff and Volunteers. The Local Government Matrix was followed and specialist support was provided by colleagues at North Yorkshire County Council.
 - Disaster Recovery Plans and arrangements were improved following testing.
 - Following discussions about the arrangements with other Local Authorities for the provision of Legal Services and Financial Services a two year extension under the contract with Scarborough Borough Council has been initiated to ensure continuity of service. The Financial Services arrangements have been reviewed

and a collaboration agreement with North Yorkshire County Council will take effect from 1 April 2016.

Planned Work on a number of areas including the development of the North York Moors National Park Trust, the longer term Business Plan and Review of Financial Regulations was delayed due to a number of factors including, the focus of managerial resources on the York Potash application in the earlier part of the financial year,, notification of long term resources from Defra, and the conclusion of negotiations on the future delivery of financial support.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Finance, Risk, Audit and Standards Committee (see below), and a plan to address weaknesses to ensure continuous improvement of the system is in place.

During the year light touch general review work has already taken place on Annex A of the Scheme of Delegation in relation to Committees and Task and Finish groups.

5. **Significant Governance Issues**

The review of effectiveness has identified the following areas to be addressed in 2016/17

- Ensuring that Members have the information and opportunity to make good, clear decisions on their priorities for the Business Plan and the type and level of public input needed for this, including in relation to Performance Indicators.
- Improving communications and avoiding duplication in the publication of various vehicles for sharing information with Members, volunteers and staff.
- A fourth survey of residents' satisfaction with the work of the Authority will be undertaken allowing comparative data to be collected including an assessment of satisfaction and fairness in decision making. This will also be utilised to consult with residents on issues in the emerging Business Plan.
- Work flowing from the volunteer strategy will continue to be a priority as volunteers become involved in more parts of the Authority.
- The review of the appraisal scheme will seek to ensure a balanced approach to performance assessment combining work output with standards of behaviour as outlined in the Values.
- Further work on the review of the Scheme of Delegation, Standing Orders and financial Regulations will be undertaken in particular to reflect the impact of the ongoing collaborative working with North Yorkshire County Council and other minor changes which have been identified by Officers.
- Ensuring suitable public input to the new Local Plan and review of the Management Plan.
- Review the arrangements for managing Fraud and Corruption Risk.
- Review the Strategic Risk Register taking into consideration the priorities emerging from the new Business Plan.

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:

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A. Wilson (Chief Executive)
Date.....

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J Bailey (Chairman)
Date.....

On behalf of the Members and senior officers of the North York Moors NPA.