



Draft Annual Governance Statement 2012/13

[Submitted to the Audit Panel on 18th June 2013 as Appendix 2 of the Pre-Audit Statement of Accounts Report]

1. Introduction

- 1.1 The Council is required to produce an Annual Governance Statement (AGS) as an integral part of the Statement of Accounts. An AGS was first produced to accompany the 2007/08 accounts. This is updated annually, and has now been amended to reflect changes during 2012/13.
- 1.2 After the AGS has been approved, it will be included in the pre-audit Statement of Accounts along with the AGS Action Plan (which will be included as an Appendix). The Annual Governance Statement remains draft until it is signed off by Full Council in September as part of the Audited Statement of Accounts.
- 1.3 Following the decision taken by the Internal Control Board (ICB) in March 2012 year where a new action plan was developed, this format has been continued,

2. Recommendations

- 2.1 Audit Panel are asked to:

- Note the draft AGS 2012/13 (Appendix 2) and the accompanying Action Plan (Appendix 3) and recommend changes as appropriate.

Appendix 2

Draft Annual Governance Statement

1. Scope of responsibility

The London Borough of Lewisham (Lewisham) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must make certain that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Lewisham 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, Lewisham is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Lewisham 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*.

In accordance with paragraph 3.7.4.3 of the Code of Practice on Local Authority Accounting for 2012/13; it is noted that Lewisham's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*.

The Annual Governance Statement (AGS) explains how the authority has complied with the code and also meets the requirements of regulation the *Accounts and Audit (England) Regulations 2011* in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled. The framework also governs the 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.

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 or failure to achieve aims and objectives or compliance with policies 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

Lewisham's policies, aims and objectives. It then evaluates the likelihood of those risks being realised and the impact should they be realised, and seeks to manage them efficiently, effectively and economically.

The governance framework has been in place at Lewisham for the year ending 31 March 2013 and up to the date of approval of the annual governance statement and statement of accounts.

A summary of the governance framework

Lewisham's directly elected Mayor ensures the Council has a clear strategic direction and effective leadership. The Council benefits from the perspectives and contributions of 54 Councillors. The Council's Constitution clearly defines the roles of Members and Officers, and this clarity contributes to effective working relationships across the Council.

The Local Code of Corporate Governance and well developed Codes of Conduct for Members and Officers demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely. A new Member Code of Conduct was adopted in June 2012 to reflect changes introduced in the Localism Act 2011.

Financial decisions are tied to corporate priorities. The management of risk is handled at a corporate and directorate level and is overseen by an independently chaired Internal Control Board. The involvement and contribution made by the Constitution Working Party, the Standards Committee and the Audit Panel to provide a check on the Council's governance arrangements represent constructive and informative tools to ensure the robustness of the Council's arrangements.

The Council's overall vision for the area is shared by its key partners on the Lewisham Strategic Partnership (LSP) and was developed following extensive consultation with the community.

No governance concerns have been raised in either the 2010/11 or 2011/12 Annual Audit letters, issued by the Audit Commission.

In December 2010, the Government introduced the Localism Bill (now the Localism Act) into Parliament. The Head of Law provided an all party briefing on the Act, and also provided briefings to the Standards Committee in June 2012. Briefings on the Localism Act have also been provided to the Mayor and Cabinet, the Executive Management Team and Heads of Service. The Head of Law has also provided training to staff in specific services such Planning and Housing, where the Localism Act could have a significant impact as well as briefings on the new Member Code of Conduct and the revised Constitution.

3. Elements of the governance framework

a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

The long-standing vision of the Council is: *Together, we will make Lewisham the best place in London to live, work and learn.* This was agreed following extensive consultation and adopted by the LSP as the vision statement for Lewisham's first Community Strategy, launched in 2003. This joint vision is promoted on the Lewisham website and in Council strategies, which are also published on the website.

In 2008 the LSP published “*Shaping our future: Lewisham’s Sustainable Community Strategy (SCS) 2008-2020*” in line with the recommendations of the Local Government White Paper, *Strong and Prosperous Communities* (2006). The development of the SCS was informed by an extensive programme of consultation, which identified resident's aspirations for Lewisham, and which ensured that those views fed into the six key outcomes for the borough the SCS sets out to achieve.

This development approach was endorsed by the Audit Commission, when they concluded in their 2009 Area Assessment that “*Lewisham’s local strategic partnership understands the issues of concern to residents very well. Their main priorities reflect local people’s needs and wishes clearly*”.

The Council has an enduring set of 10 corporate priorities. The corporate priorities set out how the organisation will contribute to the delivery of the SCS. Performance against the corporate priorities is reviewed every year through the Annual Report and is also supplemented by the Monthly Management Report.

Details relating to the Council's vision, values and priorities are contained on Lewisham's website. This ensures that members of the public, citizens and service users are able to hold the Council to account.

b) Reviewing the authority's vision and its implications for the authority's governance arrangements

The Lewisham Strategic Partnership is led by the LSP board which is chaired by Lewisham's directly-elected Mayor. A review of the existing LSP structure is currently in progress. Discussions are taking place with members of the LSP Board and thematic partnerships on options for the future. A report outlining the different options relating to the future role and work programme of the LSP will be presented to the LSP in late July 2013. Currently a series of thematic partnerships work with the LSP board, each concentrating on a specific set of cross-cutting policy issues. The thematic partnerships bring together the relevant organisations and individuals to determine appropriate interventions and to ensure that joint-working results in the best possible outcomes for citizens and service users. The LSP board and thematic partnership boards are focused around the key outcomes informed by the SCS. This now includes the Health and Wellbeing Board which was a requirement of the Health and Social Care Act 2012. The Health and Wellbeing Board brings together elected members and strategic partners to identify local health challenges and leads on the activity necessary to address them. The plans which relate to

all the thematic boards, are monitored on a regular basis. The monitoring of such plans feeds up to the LSP board and into the wider monitoring of the SCS.

The Council assessed the implications of change for the Council's governance arrangements through the review of the Local Code of Corporate Governance at the Standards Committee (10th May 2007) and at Council (23rd May 2007). Further reviews of the Local Code have taken place in 2008, 2009, 2010, 2011, 2012 and 2013. The review of 2009 (reported to Standards Committee on 5th May 2009) recommended that the Local Code be extended to include a new requirement – in the light of new CIPFA guidance and the Council's extensive partnership arrangements – to ensure effective partnership governance and risk management.

Further to this, on an ongoing basis, the work of the Constitution Working Party and the Internal Control Board addresses governance issues arising out of the Council's vision for the area.

c) Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.

In the 2011/12 [Annual Audit Letter](#) the Audit Commission commented that '*the Council have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources*'.

A review of the Performance Management Framework takes place at least every three years, to ensure continuous improvement. The Performance Management Framework allows for robust and structured target setting against national requirements and local priorities. It also allows the Council, its partners and residents to monitor and measure the Council's effectiveness against these national and local performance indicators.

Our Monthly Management Report is the centrepiece of our performance reporting structure. It provides a clear and easy to read analysis of our performance against a basket of 57 indicators including former national indicators and local measures, and also includes an executive summary to direct attention to areas of strong performance as well as areas requiring greater management attention. It is produced entirely from the council's performance management system and is presented monthly to the Executive Management Team and quarterly to Mayor's Briefing and to the Mayor and Cabinet.

The Monthly Management Report utilises Red exception reporting to focus attention on key areas such as Projects, Risk, Finance and Performance. By combining these four areas for each of our corporate priorities, it functions as the critical tool for supporting decisions across the organisation. While examining this report, the Executive Management Team, Mayor and Cabinet and Public Accounts Select Committee challenge all aspects of performance. The report is also published on the Council's website, and so is accessible to members of the general public.

In order to provide assurance on our risk management framework, a ‘risk maturity thematic review’ of risk management across the Council was again commissioned from our internal audit service providers, which reported in March 2013. The conclusion of the review is that the Council has maintained its ‘managed’ approach to risk, which is the second highest of the five potential categories for this assessment.

The quality of services for users is also measured through satisfaction surveys and information from the complaints management and resolution process. The Council’s complaints procedure is published on the web and has been publicised, through the Council’s magazine, “Lewisham Life”, which is published four times a year and made available to all residents of the borough. The Council has taken active steps to improve its complaints procedure and continues to use the Council’s complaints management system, iCasework, to record complaints and feedback. The Council’s website has been updated to provide comprehensive information relating to complaints. This also includes a fact sheet about the role of the Independent Adjudicator. The Corporate Complaints Team continue to deliver ongoing complaints management training. The training is designed to ensure that services learn from complaints, how to take preventative and corrective action and how to write an effective letter. The Head of Strategy and Performance for Customer Services reports annually to the Standards Committee with an update on complaints, complaints performance is considered annually by Mayor and Cabinet and the Public Account Select Committee. Further reports are considered monthly at Directorate Management Team level.

Value for Money (VFM) is integral to Council operations, and the budget strategy is predicated on ensuring that the Council is delivering good VFM. A Budget Savings Strategy Group exists and meets at set intervals during the annual budget process. This group effectively replaces the former Efficiency Programme Board. With the recent emphasis being on securing budget savings (whether this be via improving efficiency or by budget cuts or service cessations) the group was created to focus on delivering the revenue budget savings which would be needed to make the strategy work.

The Group comprises, Heads of Strategy and Performance and Group Finance Managers, plus a representative from Human Resources and Legal Services. The Group has the remit to review and act as a sounding board for the Budget Strategy, savings process, saving proposals and the mechanics for ensuring the Council has a smooth process for delivering savings. The Group is also responsible for annually reviewing the existing process and suggesting ways to improve it. VFM profiles have now been drawn together to support and underpin the key deliverables and the drive towards value for money. These profiles bring together performance, costs, benchmarking and absence in one clear overview to enable managers to review and compare their service.

In the 2011/12 [Annual Audit Letter](#) the Audit Commission commented that within the council *‘There is a good track record of meeting budgets, delivering saving, supported by strong budget monitoring arrangements. The Council is now in year two of its four year efficiency strategy to deal with the economic climate and has successfully continued to*

deliver savings in 2011/12 towards its target of reducing costs by over £88m from Council's expenditure.'

d) Defining and documenting the roles and responsibilities of the Executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's [Constitution](#) sets out the roles and responsibilities of the Mayor, Chair of Council, the Council as a whole, the Executive, Overview and Scrutiny committees, Standards Committees and other committees.

Members follow the required formal procedures when making Council decisions, which ensure that such decisions are made transparently and openly. There is an annual programme of regular meetings whereby formal decisions are taken. Every committee agenda includes as a standard item a section on declarations of interest by committee members which sets out the legal position in relation to the need to declare, and on occasion, withdraw from discussion of matters where the member has a personal interest.

Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution. Decisions are taken in accordance with the general principles of administrative law and on the basis of professional advice at all times. Minutes are published and made widely available through the Lewisham website. All Executive decisions are subject to review by Overview and Scrutiny business panel and may be called-in in accordance with the Council's Constitution. There were two matters called-in (referred to the Mayor for reconsideration) during the 2012/13 AGS review period, they were the Removal oF Governor Report in June 2012 and the Housing Matters Report in July 2012.

The highest standards of ethical conduct are adhered to in order to avoid actual, potential and perceived conflicts of interest. The principles of decision making appear as Article 16 within the Constitution. Each year the Standards Committee receives a report on Member compliance with the Code of Conduct. In December 2012 the Standards Committee reported that there has been good compliance with the Member Code of Conduct, as existing to the end of June 2012. From the 1st July 2012 there has been a requirement for a new Code of Conduct. Members were briefed on their amended responsibilities under the code of conduct by the Head of Law at an all member briefing on the 16th of July 2012. Training on the Codes of Conduct for both members and officers has been delivered by the Head of Law. A programme of further training is currently being developed in the light of changes to the Member Code of Conduct brought about by the Localism Act 2011.

Officers support all Members in the performance of their various roles and this is detailed in the Constitution. An induction programme has been delivered to members newly elected by local by-elections enabling them to understand and access all appropriate support and development to undertake their new role. Also during 2013/14 the Standards Committee

will review the Member Development Programme in preparation for any new administration following the local elections in 2014. The roles of the statutory officers are also set out at Article 14 of the Constitution and in detailed job descriptions. The Schemes of Delegation by both the Mayor and the Council are appended to the Constitution at Part VIII.

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The Council adopted an amended Member Code of Conduct in July 2010 to comply with new legal requirements. It complies with all statutory provisions and is appended to the Constitution at Part V. It appears on the Council's website, on the intranet and is well publicised. A comprehensive training programme on the Codes of Conduct is delivered by the Head of Law (Monitoring Officer) on an on-going basis for members of the Council. A revised Member Code of Conduct came into place in July 2012, the Head of Law briefed members of the Standards Committee ahead of these changes and spoke at an All Party Briefing on New Code of Conduct in July 2012.

Monitoring Officer advice is regularly sought by members in relation to potential Code of Conduct issues. The Standards Committee was consulted on changes to the Member Code in June 2012. They were also consulted on the review of compliance with the Members Code of Conduct in December 2012, as existing until the end of June 2012.

The Council has in place an Employee Code of Conduct which complies with all legal requirements and is appended to the Constitution at Part V. The purpose and content of the Employee Code of Conduct is available on the corporate intranet.

f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Reviewing and updating standing orders, standing financial instructions

The Council's Financial Regulations, Financial Procedures and Directorates' Scheme of Delegation, are regularly updated and communicated to all relevant staff and are available on the Council's intranet. The Financial Regulations, the Schemes of Delegation and the Financial Procedures were updated and published in November 2011. The Council's procedure rules, of which Standing Orders are a part, are reviewed alongside the Constitution; the Constitution is reviewed on a regular basis.

Scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken

The Constitution is very clear about the decision making process. It requires that Members follow formal procedures when making Council decisions, which ensures that such decisions are made transparently and openly. There is an annual programme of regular meetings whereby formal decisions are taken. Committee reports are produced by officers in a standard format to ensure that authors address all significant considerations

such as the legal and financial implications of decisions, equalities issues, environmental issues and a crime and disorder assessment.

Every committee agenda includes as a standard item a section on declarations of interest by committee members which sets out the legal position in relation to the need to declare, and on occasion, withdraw from discussion of matters where the member has a personal interest. The principles of decision making appear as Article 16 within the Constitution.

There is a well embedded agenda planning process and a requirement for reports to be signed off by senior officers. Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution.

The Constitution requires Executive decisions to be published within two working days of being taken, and sent to all Members of the Council where possible by electronic means. Minutes are published and made publicly available on the Lewisham website. All Executive decisions may be called-in by the Overview and Scrutiny Business Panel in accordance with the Council's Constitution.

The Constitution provides for the Council to have a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements. In practice, the procedure rules set out in the Constitution are under constant review to reflect changing needs. In 2012/13 reports to Council have included a Local Development Scheme Adoption, the Local Council Tax Reduction Scheme and the Children and Young People's Plan 2012-15.

Maintaining an adequate and effective system of internal audit

The Account and Audit (England) Regulations 2011, require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The role of internal audit is to provide an independent and objective opinion on the control environment within the Council. Internal audit work is undertaken in accordance with the CIPFA Internal Audit Code of Practice for Internal Audit in Local Authorities 2006 (the code).

The work of internal audit is set out in an annual internal audit plan that covers the key financial systems, schools, and the operational activities where Internal Audit and management perceive there are risks to achieving operational objectives. The work of internal audit also supports the work of the Council's External Auditor who reviews their work in detail to satisfy themselves the work of internal audit can be relied upon.

The Council's governance, risk and control management arrangements has been subject to an annual independent review by the Audit Commission, the Council's outgoing external auditors. The last of these took place in the Autumn of 2012 and going forward such reviews will be conducted by Grant Thornton.

In order to provide assurance on our risk management framework, a ‘risk maturity thematic review’ of risk management across the Council was again commissioned from our internal audit service providers, which reported in March 2013. The conclusion of the review is that the Council has maintained its ‘managed’ approach to risk, which is the second highest of the five potential categories for this assessment.

For each audit where controls have been analysed, Internal Audit issues an assurance statement which indicates the level of assurance that management can place on the adequacy and effectiveness of the internal controls. For 2012/13, four levels of assurance were used: Two positive levels, ‘substantial’ and ‘satisfactory’ assurance; and two negative levels, ‘limited’ and ‘no assurance’. In each report Internal Audit may also make control improvement recommendations, rated High, Medium or Low.

For 2012/13 83 assurance reviews were commissioned. Of these 71 require an opinion on internal control. The others are advisory pieces of work. Of the 71, 64 were finalised by the end of May 2013. Of the 64, 11 (17%) – compared to 11% in 2011/12 and 7% in 2010/11 – received a negative level of assurance, including two ‘no assurance’ opinions. Where a negative or no assurance opinion has been issued remedial action is being undertaken by managers and monitored by Audit Panel and ICB. In respect of the total number of recommendations made from all the reviews in the year; 10% were high (8% in 2011/12) and 39% medium (48% in 2011/12).

The 16 key financial systems are fundamental to the operation of the Council, so it is important that these systems have robust internal control mechanisms and operate effectively. Grant Thornton were appointed as the Council’s external auditors as part of the Audit Commission’s national procurement process with effect from November 2012. Over the last six months officers have had constructive and professional discussions with them on matters of mutual concern. To date the feedback from Grant Thornton has been broadly positive in respect of internal systems of financial control and they will fairly shortly commence more substantive work in respect of the council’s annual accounts.

This builds on the positive assurance that the council had from the outgoing external auditor, the Audit Commission who reported to members in their 2011/12 Annual Audit Letter in November 2012 that the Council “*has a strong culture of financial governance*”.

Internal Audit has Managed Audit status, whereby the Audit Commission (the Council’s outgoing external auditors) placed reliance on the work of internal audit in forming their opinion. As part of the managed audit arrangements Internal Audit undertake reviews of the Council’s fundamental systems.

Additionally the Council’s outgoing external auditors, the Audit Commission, carried out an independent audit of the Council’s Systems of Internal Financial Control and reported their findings in the 2011/12 Annual Audit Letter. Their letter dated October 2012, based on their audit of 2011/12, was reported to Members on 21st November 2012 at the [Audit Panel](#).

The processes and controls required to manage risks

The Accounts and Audit (England) Regulations 2011 highlight the Council's responsibility for ensuring it has in place a sound system of internal control which includes arrangements for the management of risk.

There is a robust risk strategy and framework, reviewed and updated in 2010/11, in place to manage risks, it will be reviewed again in 2013. All services must maintain an operational risk register aligned to their service plan objectives. Risks are recorded and reported using the Council's main performance management system – Performance Plus. The risk registers record significant risks and score them in terms of impact and likelihood. Target scores are set and mitigation actions identified and monitored.

Direcotorate risk registers are considered in detail at least quarterly at Directorate Management Teams. Key risks within the directorate and corporate risk registers are then subject to quarterly reviews by the Risk Management Working Party and the Internal Control Board. The Internal Control Board is chaired by an independent 'non executive' person (Bill Roots, a former London local authority Chief Executive) and comprises the Executive Management Team, Head of Law (Monitoring Officer), Head of Audit and Risk and Group Manager for Insurance and Risk. Risks are updated quarterly and are tracked through the monthly Management Report which summarises key risks and mitigation actions taken.

The focus on risk in the Management Report was reviewed in 2011/12 to include a statement on the risk environment for each priority as well as the risks with a 'red' rating being reported. In addition, for both corporate and directorate risks any significant variances against target are reported.

Risk Management is embedded within the Council's approach to programme and project management. Project risks are regularly reviewed by Project Review Groups and Corporate Project Board. Risks for the whole capital programme are reviewed and updated quarterly. Members are involved in scrutinising risks with updates of the Capital Programme considered regularly by Public Accounts Select Committee and reported to Mayor & Cabinet.

g) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Audit Panel is made up of six elected members and up to four independent advisors and meets at least quarterly. A key role of the panel is to review and comment on the strategy, plans and resources of Internal Audit. Internal Audit update reports are received by the panel on a quarterly basis, summarising the audit reports issued, management's progress on implementing internal audit recommendations, and the performance of the Internal Audit function. Update reports on the activities of the Anti-fraud and Corruption Team are also received by the panel on a quarterly basis. The panel receive the annual report from the Council's Head of Audit and Risk, this last happened in June 2012.

The panel consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. In terms of external assurance, the panel consider the external auditor's Annual Plan, other relevant external reports which contribute to the level of assurance. The panel monitors management action in response to issues raised by internal and external audit, and significant issues identified by these are included in the action plan appended to this statement.

The panel also consider the Council's annual Statement of Accounts and this Statement and makes comments on those to the meeting of the Full Council that considers the accounts.

h) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The duties of the Head of Law (Monitoring Officer) are defined in the Constitution. The Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs EMT, Members and relevant staff on corporate legislative developments. In 2012, the Head of Law briefed Members on the Transfer of Health Function and the New Code of Conduct and relevant staff on the Localism Act and the possible impact that it could have on the organisation.

Legal advice is incorporated in every report and advice on proper process is a regular feature of that. Where gaps or non-compliance are identified, appropriate action is taken (e.g. in response to Freedom of Information compliance issues, alternative procedural arrangements were put in place to enhance performance). Reports do not proceed unless robust legal implications on all matters have been considered and are included in the report. Experienced professional legal staff are employed by the Council.

The financial management of the authority is conducted in accordance with financial regulations set out in the Constitution. The Council has designated the Executive Director of Resources as Chief Finance Officer in accordance with Section 151 of the *Local Government Act 1972* and to discharge the responsibilities under Section 114 of the *Local Government Act 1998* and Sections 25-28 of the *Local Government Act 2003* in relation to the Chief Financial Officer's statutory duties. The Chief Finance Officer advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. These duties are reflected in the job description of the Executive Director for Resources which are set out at Article 14 of the Constitution. Financial implications are included in all committee reports and form an integral part of the information needed to aid the decision making process.

The Pensions Investment Committee has agreed a Governance Policy Statement which sets out how the Committee exercises its fiduciary duty to members of the Pension Fund. The Committee's governance arrangements include the appointment of an independent Custodian Bank responsible for the safe custody of the Fund's assets, the appointment of an independent investment advisor, independent actuary and investment consultant, Hymans Robertson. The Committee will review its Statement of Investment Principles

(SIP) in accordance with the CIPFA's Pensions Panel Principles of Investment decision making. In 2012 there was no significant change to the SIP and it was approved as part of the annual report in November.

i) Whistle-blowing and procedures for receiving and investigating complaints from the public

The Council has a whistle-blowing policy in place which is publicised on the Council's website and in 'Lewisham Life'. Complaints made under this policy are handled by the Head of Law (Monitoring Officer). An annual review is considered by the Standards Committee (this most recently happened in May 2013).

j) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The overall aim of the Members' Development Programme is to ensure that all members have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. Over the last year, a range of sessions have been delivered to support members in understanding the local implications of national policy and legislative changes, including briefings on Welfare Reform, Universal Credit, Social Housing Complaints and The Localism Act. An induction programme has also been delivered to members newly elected by local by-elections enabling them to understand and access all appropriate support and development to undertake their new role.

The Head of Personnel and Development has responsibility for the development needs of senior officers. The Monitoring Officer also plays a key role in ensuring that senior officers are aware of their statutory duties and changes in legislation. At the start of the financial year the Chief Executive defines objectives for each of the Executive Directors. These are then cascaded to officers throughout the organisation through the Performance Evaluation Scheme.

k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Lewisham has an open and outward facing culture that is clearly focussed on the needs of our residents and facilitated by an exceptionally strong and diverse approach to engagement and consultation.

The Council's engagement activity is overseen by the Strategy Performance and Communications Board. The Board operates at Executive Director level and provides a strategic steer on the communication and consultation agendas within the Council. It is supported by its subsidiary, the Consultation Steering Group, which draws representation from across the Council and supports effective resident engagement at an operational level.

In support of this, and to provide increased channels through which citizens are engaged, the Council continues to promote e-Participation through its online engagement system. This system provides the platform through which citizens can respond to online

consultations as well as set up and respond to e-Petitions. Other channels of engagement include the 18 ward-level Area Assemblies which came into operation in 2008 and are open to anybody living or working in the ward, and the Young Citizens Panel which enables any young person aged 11-18 years either living or studying in the borough to join.

The council website now includes a page on Open Data and Transparency, which gives information on council spending, wages of senior managers, Freedom of Information requests; Audit of accounts; the council's Pay Policy and council decisions in order to be open and transparent we publish information here so that you can see how that money is spent.

I) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

The Council acts in a number of partnerships with a view to improving the quality of life for local people. These partnerships take a variety of forms, from large scale contracting, as in the case of the Building Schools for the Future programme, to strategic alliances such as the Lewisham Strategic Partnership (LSP). The Council has used the Audit Commission report on the governance of partnerships to provide a framework to assess its arrangements in relation to partnership working.

As a first stage in that process, the Head of Law (Monitoring Officer) conducted an exercise in relation to several of the most significant partnerships in the borough and reported those findings to the Internal Control Board (ICB). In February 2009, a detailed audit of all of the Council's major partnerships and contractual arrangements was reported to the EMT and to ICB. In response, EMT required all Directorates to consider partnership governance arrangements, and particularly the business continuity arrangements of those partnerships, as a standing item at Directorate Management Team meetings. In November 2009, the Chief Executive presented a paper to ICB which assessed the main risks to the partnerships within each of Lewisham's six Sustainable Community Strategy priority themes.

As part of the review of the Local Code in 2009 the Standards Committee accepted a recommendation to extend the Code to include a provision to ensure that the Council has robust and effective mechanisms to ensure partnerships are effectively governed and that partnership risks are identified and managed.

In November 2009, Standards Committee considered a new "Standards in Partnership" protocol that has been developed by Standards for England. Adherence to this protocol is intended to ensure that the aims of the partnership can be fulfilled effectively and the public can have confidence in the operation of the partnership.

The Standards Committee made a recommendation to refer this partnership protocol to the LSP, where it was considered in December 2009. The LSP reviewed its Terms of

Reference and Code of Conduct in 2010 in order to reflect the good practice set out in the new Standards for England partnership protocol. A review of the existing LSP structure is currently in progress. Discussions are taking place with members of the LSP Board and thematic partnerships on options for the future. A report outlining the different options relating to the future role and work programme of the LSP will be presented to the LSP in late July 2013.

4. Review of effectiveness

Lewisham 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process by which the governance framework has been maintained and reviewed is widespread. It occurs throughout the year and at year end. On an ongoing basis, throughout the year, it has involved the following:

- Consideration by Internal Control Board of governance issues – including risk registers, counter-fraud updates and internal audit reports.
- The Head of Audit and Risk prepares a rolling plan of audit coverage to be achieved in the forthcoming year, based primarily on an assessment of the Council's risk profile. The plan is reviewed by the Internal Control Board.
- The Audit Panel receives the Internal Audit Strategy and approves the annual audit plan.
- The Audit Panel receives the annual assurance report from the Head of Audit & Risk which sets out his opinion on the Council's overall control environment.
- The Audit Panel reports on its work to the Public Accounts Select Committee twice a year.
- Executive Management Team (EMT) consider a full range of governance issues throughout the year, including issues relating to the improvement of the Internal Audit Service. EMT scrutinise performance and risk regularly and ensure management action where necessary.
- The Standards Committee reviewed the Council's annual complaints report and Whistle Blowing Policy. In May 2013 it considered the review of the Council's Code of Corporate Governance, and in December 2012 it reviewed Member compliance with the Member Code of Conduct.

- Consideration of external audit reports conducted in year by Mayor and Cabinet, Audit Panel and relevant Select Committees.
- The Health and Wellbeing Board has now been established as a committee as required by the Health and Social Care Act 2012. This brings together elected members and strategic partners to identify local health challenges and leads on the activity necessary to address them.
- 2012/13 service improvement planning process included a strong focus on risk (looking at each of the financial, business and operational dimensions).
- The Council keeps its risk management arrangements under review to drive continuous improvement. Through the governance mechanisms outlined above, in 2012/13 the following activities were undertaken:
 - The Council participated in the revised annual CIPFA risk management benchmarking exercise, performing in the upper quartile.
 - All partnership leads supporting the Thematic Boards of the Local Strategic Partnership refreshed their partnership risks.
 - A review of the last two years of risk reports and alignment of corporate and directorate risks was undertaken by the Internal Control Board.
 - The corporate risk register was fundamentally rewritten from the perspective of the public and made available via the Audit Panel.
 - The Risk Management Working Party are tracking delivery of risk mitigations to clearly identified responsible officers and deadlines.
 - Internal Audit have undertaken a detailed mapping of risks to the Audit Plan and related assurance mapping, reported to Audit Panel.

In order to provide assurance on our risk management framework, a ‘risk maturity thematic review’ of risk management across the Council was again commissioned from our internal audit service providers, which reported in March 2013. The conclusion of the review is that the Council has maintained its ‘managed’ approach to risk, which is the second highest of the five potential categories for this assessment.

At year end, the review of the effectiveness of the governance framework is conducted under the auspices of the Chief Executive by a team of officers consisting of:

- Kath Nicholson: Head of Law and Monitoring Officer
- Troy Robinson: Standards & Education Law Advisor
- Barrie Neal: Head of Corporate Policy and Governance
- David Austin: Interim Head of Audit and Risk
- Stewart Snellgrove: Principal Policy Officer
- Patricia Duffy: Principal Policy Officer
- Paul Aladenika: Head of Policy & Partnerships

The Annual Governance Statement working party have met regularly since March 2008. Officers have been drawn from across the council to represent key areas of expertise in governance and internal control matters. The terms of reference for the group are as follows:

- To provide expertise in the development of the AGS on governance and internal control matters
- To analyse CIPFA/SOLACE guidance in relation to the development of the Annual Governance Statement
- To collate evidence from across the organisation relating to CIPFA/SOLACE guidance
- To evaluate evidence collated and identify areas for action
- To compile an action plan of significant governance issues
- To develop the Annual Governance Statement to be incorporated in the Statement of Accounts on an annual basis
- To ensure that the AGS is signed off appropriately through the council's key control mechanisms: Internal Control Board (including EMT members), Audit Panel and Full Council
- To review the Annual Governance Statement and arrangements for governance and internal control throughout the year

The process by which the governance provisions are reviewed at year end includes:

- The consideration by ICB (EMT members) on the 14th May 2013 of the Annual Governance Statement Action Plan. This year no significant gaps or governance issues have been identified, as such the action plan outlined in Appendix 2 outlines instead significant areas of governance focus needed to maintain an effective governance framework.
- Preparation of the Accounts and the Head of Audit and Risk's Annual Report and consideration of these and the Annual Governance Statement by the Council's Audit Panel on 18th June 2013.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee on the 7th May 2013, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to full Council with the Statement of Accounts, will happen in September 2013.
- Sign off by the Chair of the Council and Chief Executive, once approved.

5. Significant governance focus

In addition to the action taken to deal with governance during the course of 2012/13, as outlined in section 3 of this statement, we propose to take steps over the coming year (2013/14) to continue to maintain and improve governance within Lewisham. Appendix 2 outlines the areas of significant governance focus in Lewisham, as well as progress to date and next steps. These actions have been selected due to their importance in maintaining an effective governance framework and have been agreed by the Internal Control Board.

We intend to monitor their implementation, operation and effectiveness as part of our next annual review. To do this regularly throughout 2013/14 it is proposed that the officer team dealing with governance arrangements meet quarterly and report on progress to the Internal Control Board and/or Audit Panel on relevant issues.

Signed:

Leading Member (or equivalent) & Chief Executive (or equivalent) on
behalf of [the authority]