

1. Scope of Responsibility

Ryedale 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. 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 also 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.

2. The Purpose of the Governance Framework

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) identifies three underlying principles of good governance, namely:

- Openness and Inclusivity
- Integrity
- Accountability

The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that it is complying with these principles. To achieve this, the framework document recommends that all local authorities should develop a local code of corporate governance, comprising the following elements:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk Management and Internal Control
- Standards of Conduct

The Authority has formally adopted a local code of corporate governance, consequently the principles and standards contained in the framework document are recognised as good working practice, and hence are supported and followed. To this end both Officers and Members have had externally provided training to ensure governance arrangements are understood and embedded. This Statement forms part of the overall process within the Authority for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This has been in place within the Authority for the year ended 31 March 2016 and up to the date of

approval of the Statement of Accounts.

3. The Governance Framework

The requirement to have a governance framework, incorporating a sound system of internal control covers all of the Authority's activities. The internal control environment within the Authority consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of internal control within the Authority consist of

Policies and Guidance:

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The Council's Constitution, including Financial Regulations, Procurement Regulations and Contract Standing Orders
- Codes of Conduct for Members and Officers
- The Council Plan
- Medium Term Financial Plan
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and Counter Fraud and Corruption
- Asset Management Plan/Capital Strategy Statement
- Strategic Risk Register
- Council Procurement Strategy

Political and Managerial Structures and Processes

The Authority is responsible for agreeing overall policies and setting the budget. The Policy and Resources Committee is responsible for decision making within the policy and budget framework set by the Council. The Authority's Corporate Management Team has responsibility for implementing Authority's policies and decisions, providing advice to Members and for co-ordinating the use of resources. The Corporate Management Team meet regularly and the Committees usually every two months. Both the Committees and the Corporate Management Team monitor and review Authority activity to ensure corporate compliance with governance, legal and financial requirements. In addition, the Authority has scrutiny arrangements, through the Scrutiny and Audit Committees that include the review of policies, budgets and service delivery to ensure that they remain appropriate. A forward plan detailing the main work of Committees over the next year has been devised to ensure decisions are taken in a timely manner. Urgent items will be debated as appropriate.

The Authority has developed a process that is intended to reflect political and community objectives as expressed in the Council Plan and acts as a basis for corporate prioritisation. The process has identified the Authority's corporate aims together with a number of associated objectives. These will be reviewed annually to ensure that they continue to meet the needs of the community. The Authority has

linked the performance management process across all service areas to provide an integrated performance management system. Each service has developed a performance improvement plan as part of their Service Delivery Plan showing how that service will work to achieve the Authority's objectives.

Financial Management

The Finance Manager (s151 Officer) has the overall statutory responsibility for the proper administration of the Authority's financial affairs, including making arrangements for appropriate systems of financial control. The Authority operates within a system of financial regulations, comprehensive budgetary control, regular management information, administrative procedures (including the segregation of duties) and management supervision.

The Finance Manager (s151 Officer) is a member of the Authority's Corporate Management Team, and is directly responsible to the Chief Executive. The Authority is therefore fully compliant with the requirements of the 2010 CIPFA/SOLACE Application Note to Delivering Good Governance.

Compliance Arrangements

Monitoring and review of the Authority's activities is undertaken by a number of Officers and external regulators to ensure compliance with relevant policies, procedures, laws and regulations. They include:

- The Chief Executive Officer
- The Finance Manager who is the s151 Officer of the Authority and the Chief Finance Officer (CFO)
- The Monitoring Officer
- The Heads of Service
- The External Auditor and various other external inspection agencies
- Internal Audit (provided by Veritau North Yorkshire Limited)
- Finance Officers and other relevant service managers

Value For Money

Through reviews by external auditors, external agencies, internal audit and the Financial Services Manager the Authority constantly seeks ways of ensuring the economic, effective and efficient use of resources, and securing continuous improvement in the way in which its functions are exercised.

Risk Management

The Authority has adopted a formal system of Risk Management. This is effectively delivered through widespread use of Covalent, the Authority's Performance and Risk Management software. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Heads of Service Group. The process is intended to ensure that:

- The Authority identifies, prioritises and takes appropriate mitigation for those risks it identifies as potentially preventing achievement of the Corporate and Community Plan

- The Authority's assets are adequately protected
- Losses resulting from hazards and claims against the Authority are mitigated through the effective use of risk control measures
- Service managers are adequately supported in the discharge of their responsibilities in respect of Risk Management

The system of Risk Management requires the inclusion of risk evaluation assessments in all Committee reports and the maintenance of a corporate risk register. Relevant staff within the Authority have received training and guidance in Risk Management principles.

A review of Risk Management Procedures was undertaken during the year, the review made a number of recommendations which are included within the AGS Action Plan.

Internal Audit & Fraud

The Authority operates internal audit and internal (non Housing Benefit) fraud investigation functions. Internal audit and counter fraud services are provided by Veritau North Yorkshire Limited – a company partly owned by the Authority. Internal audit services are provided in accordance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice for Internal Audit in Local Government. An annual programme of reviews covering financial and operational systems is undertaken, to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. The work of internal audit compliments and supports the work of the external auditors (KPMG for 2015/16). In addition, internal audit provides assurance to the Finance Manager as the Authority's s151 Officer in discharging his statutory review and reporting responsibilities. The Authority also undertakes an annual review of the effectiveness of its internal audit arrangements as required by the Accounts and Audit Regulations. The results of the review are reported to the Overview & Scrutiny (Audit) Committee.

Internal audit also has an advisory role that provides:

- Advice and assistance to managers in the design, implementation and operation of controls
- Support to managers in the prevention and detection of fraud, corruption and other irregularities

Housing Benefit Counter Fraud work has now largely been transferred to the DWP's Single Fraud Investigation Service and Veritau's Counter Fraud work will now focus on supporting the Council in meeting the requirements of CIPFA's code of practice on managing the risk of fraud and corruption.

The Authority has undertaken an initial assessment of its compliance against the code and the s151 officer, having considered all the principles, is satisfied that, subject to the actions identified within the assessment report, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Performance Management

The Authority has established effective performance management arrangements. The Chief Executive has overall responsibility for the function and the Corporate Management Team undertakes an ongoing monitoring role. Heads of Service and their Service Unit Managers are expected to deliver improvements or maintain performance standards where appropriate. The Covalent performance management system is used to record and monitor performance.

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the Authority's systems of internal control has been undertaken, by the Corporate Management Team. This review has included consideration of:

- Reports received from the Authority's external auditors and other inspection agencies
- The results of internal audit and fraud investigation work
- The views of senior managers, including Chief Executive, the s151 Officer and the Monitoring Officer
- The work of the Heads of Service Group in compiling the Authority's Corporate Risk Register.
- Outcomes of service improvement reviews and performance management processes
- Compliance with the CIPFA Statement on the role of the CFO

In addition, the Authority through its Committees especially the Scrutiny and Audit Committees considers corporate governance issues as they arise throughout the year and agree recommendations for improvement as necessary.

A comprehensive review has been undertaken to support the preparation of this AGS document as required by the Accounts and Audit Regulations 2015. The Authority has produced a detailed statement along with a targeted action plan to ensure that full compliance is achieved. This has followed the best practice framework suggested by CIPFA and adopted by the Authority. An action plan schedule has been produced to ensure compliance and a list of those Officers having responsibility is available.

An Action Plan is appended which identifies and notes progress with previous year's matters of concern, and includes those arising from this year's review. The Annual Governance Statement for 2015/16 will provide details of the work completed against this Plan.

We have been advised on the implications of the results of the review of the effectiveness of the system of internal control by the Overview & Scrutiny (Audit) Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. INTERNAL CONTROL ISSUES

A review of the internal control arrangements in place within the Authority highlighted no significant control issues, however the review did identify areas where improvements could be made. Specific actions are proposed to address the issues

identified. Attached is the action plan for 2015/16 incorporating those issues brought forward from the previous plan, which are still outstanding.

The Authority will continue to seek to improve performance and take action on agreed recommendations by both internal and external agencies.

Signed: Dated: 22 September 2016
Janet Waggott
Chief Executive

Signed: Dated: 22 September 2016
Cllr Linda Cowling
Leader of the Council

AGS Action Plan 2015/16

STATUS	CONTROL ISSUE	ACTION PROPOSED	RESPONSIBILITY	TARGET DATE	CURRENT POSITION & COMMENTS
Brought Forward	Risk of compromise and weaknesses in operational systems as a consequence of continuing reductions in staffing as Government funding cuts made.	Where changes in staffing occur, that changes in operating arrangements are reviewed prior to reducing the controls. Internal audit will be included in working groups reviewing operating systems and arrangements, including commissioning, partnership arrangements etc.	Finance Manager (s151 Officer).	Ongoing	This will be a continuing issue in 2016/17 and beyond
2015/16	The audit opinion of the control environment for the management of risk is weak.	That the Corporate approach to risk is applied consistently across the council for management of corporate, service, project and partnership risk.	Head of Corporate Services	October 2016	Good progress made following the implementation of the browser version of Covalent. Training undertaken for all managers.
2015/16	The audit opinion of the Internal control environment for the Payroll process remains weak. In the financial year 2015-16 there has been effort made to improve the control environment and whilst progress has been made it is not enough to improve the overall opinion.	In addition to the agreed audit actions, improved joint working is planned between staff involved in Payroll and Finance to improve a number of procedures for the payroll process. This will include regular meetings of key staff responsible for the implementation of recommendations with the s151 Officer to ensure progress made continues in the new financial year.	Finance Manager and HR Manager.	October 2016	Initial meeting has been arranged.
2015/16	On-going and future changes to the Council's financial framework including several changes to national and local funding regimes will increase the financial pressure on the Council and risk profile. These changes arise from on-going	The agreed Medium Term Financial Strategy of the Council reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the	Finance Manager	Ongoing	2017/18 Budget Strategy recommended for approval by Full Council 7th July 2016.

	changes to benefit administration and continued downward pressure on government funding of Councils as confirmed in the indicative long term financial settlement	budget process for 2017/18 and future years. The Finance Manager considers the risk as part of the closure of accounts including the need to make appropriate provisions and reserves at the year-end.			2015/16 Statement of Accounts will be presented to P&R in September 2016
2015/16	The Council has identified the publication of data to meet the requirements of the Transparency Code for Local government, as placing the council at risk of a future fraud as information included in the public domain could be used by determined third parties to exploit the Council.	That the Council meet its statutory requirements to publish open data by releasing the minimum level of detail required. That Internal Controls are kept under review and key staff are kept updated on latest techniques used by fraudsters.	Finance Manager (s151)	Ongoing	Currently this has not been a significant issue for the Council however we need to remain constantly vigilant