

**AUDIT COMMITTEE
28 JUNE 2012**

JOINT REPORT OF HEAD OF RESOURCE MANAGEMENT AND HEAD OF CORPORATE SERVICES

A.2 ANNUAL GOVERNANCE STATEMENT 2011/12
(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek approval of the Annual Governance Statement for 2011/12.

SUMMARY AND POSITION FOR 2011/12

The Council has approved and adopted a Code of Corporate Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE *Framework Delivering Good Governance in Local Government*.

The Annual Governance Statement explains how the Council complies with the Code and also demonstrates how it meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 which requires relevant bodies to conduct a review at least once a year of the effectiveness of its system of internal control.

The Annual Governance Statement for 2011/12 is attached as **Appendix A** and is submitted for approval by the Committee, following which it must be signed by the Chief Executive and Leader of the Council and appended to the Statement of Accounts.

The Chief Executive and Leader of the Council are required to be advised of the implications of the result of the annual review of the governance framework and that actions are in place to address any weaknesses. In this respect, the Governance Framework in place for 2011/12 was robust with improvements made during the year, although a number of items have been identified for progressing in 2012/13. To monitor progress, these improvement actions will be reported to Members as appropriate.

In terms of the actual Code of Corporate Governance itself, amendments have been necessary to bring the Code up-to-date for 2012, and these include the removal of out of date references such as national performance indicators sets, officer titles, constitutional changes and references, along with necessary changes to reflect the requirements of the Localism Act 2011 such as the new Conduct Committee. It is important to note that any significant changes to the code will be subject to separate decisions where appropriate as the year progresses, with the code therefore only being a 'vehicle' to reflect such amendments rather than being the actual process by which such changes are made. Therefore as the amendments primarily reflect only relatively minor amendments or those subject to separate decisions elsewhere, the full document has not been reproduced as part of this report, but subject to the recommendations set out below, the revised document is planned on being published by the end of June 2012.

RECOMMENDATION(S)

(a) That the Annual Governance Statement be approved.

(b) That subject to (a) above, the Chief Executive and Leader of the Council are advised of the outcome of the annual review and are authorised to sign the Annual Governance Statement set out in the Appendix.

(c) That the changes to the Code of Governance are noted and a revised document published accordingly.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The updated Annual Governance Statement and Code help to communicate the Council's underlying governance arrangements in delivery against its key priorities and objectives.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

There are no direct financial implications arising from this report.

Risk

The inclusion on the Audit Committee's work programme responds to the risk of not maintaining an up to date Code of Corporate Governance or undertaking an annual review part of the Annual Governance Statement requirements which also protects the Council's reputation and demonstrates transparency, openness and commitment to continuous improvement.

LEGAL

The preparation and publication of an Annual Governance Statement in accordance with the Delivering Good Governance in Local Government Framework is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations 2011 for Authorities to prepare a Statement of Internal Control in accordance with "proper practices".

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications with such matters forming part of the overall governance framework that is set out in the statement and Code of Corporate Governance itself.

PART 3 – SUPPORTING INFORMATION

BACKGROUND PAPERS FOR THE DECISION

None.

APPENDICES

Appendix – Annual Governance Statement 2011/12.

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2011-12

1. SCOPE OF RESPONSIBILITY

Tendring 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 Council also has a duty 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 Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control. A copy of the code can be obtained from the Resource Management Department and is also available to be viewed or downloaded from the Council's website.

2. 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 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 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 of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

The governance framework has been in place in the Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts and includes improvements and developments implemented during the year.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements as set out in the Code of Corporate Governance are:

- A Corporate Plan which sets out the Council's vision and goals.
- A Financial Strategy, Capital Strategy and Asset Management Plan, and Treasury Strategy links financial planning to enable the Council to balance the delivery of quality services along with its priorities and aspirations and maximise the effectiveness of its assets.
- A Performance Management Framework which includes financial and non-financial information.
- A Risk Strategy and Strategic Risk Register which sets out the risk management framework and identifies and manages risks faced by the Council.
- The Council's Constitution which covers roles and responsibilities, delegated powers, along with key areas such as financial and procurement procedure rules.
- An Audit Committee that provides scrutiny of the governance framework.
- A whistleblowing and complaints procedure that provides individuals with opportunities to report issues with the Council.
- Business Continuity Plans to ensure the Council can maintain an appropriate level of service.
- Clear Codes of Conduct which set behavioural expectations for all individuals representing the Council.
- A Human Resources Framework that covers a range of practices and policies.
- Overview and Scrutiny Committees which carry out an annual programme of work to review and scrutinise Council functions and consider any matter affecting the District.
- Statutory Officers such as the Chief Executive, S151 Officer and Monitoring Officer.
- Robust governance arrangements for working, engaging with and consulting our partners to deliver services.

The Council's key governance processes are subject to internal audit on a cyclical / risk based approach. This work forms part of the Head of Internal Audit's annual opinion on the Council's systems of internal control covered in more detail later on in this statement.

4. 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 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.

In practice, the review of effectiveness is an on-going process throughout the year. However set against the backcloth of significant reductions in Government Funding and associated savings targets, restructuring and reorganisation remains on-going within the Council to provide a sustainable and long term basis against which to deliver services. Such significant changes in themselves present governance challenges and risks which have been recognised as part of the managing change and usual processes undertaken during the year.

Building on the approach in previous years but acknowledging the fundamental changes that remain on-going, the activities and mechanisms in place include:

- Overall performance, incorporating financial and non-financial information, is subject to review by Management Team and Members.
- The Council's Constitution is reviewed on an annual basis with changes made where appropriate to reflect operational experience and changes in legislation, with all Heads of Department and Management Team contributing to this review. The scheme of delegated powers forms part of this review. Comprehensive updates have been made to reflect organisational changes and those brought about by the Localism Act 2011 with the most recent changes being approved by Full Council on 22 May 2012.
- Revised / reinvigorated Management Team with all Heads of Department (Including S151 Officer), Strategic Director and Chief Executive in attendance at a weekly meeting to discuss relevant matters, issues and strategic challenges facing the Council and to help to take the organisation forward.
- The three Overview and Scrutiny committees, Corporate Management, Service Development and Delivery, and Community Leadership and Partnerships met in total on 28 occasions during 2011/12.
- The Audit Committee met on five occasions during 2011/12 to enable them to fulfil their statutory, regulatory and governance responsibilities including the monitoring of Internal and External Audit recommendations, annual review of the Risk Strategy and Register and the Statement of Accounts.
- Regular staff updates by the Chief Executive covering issues from the reorganisation to staffing matters and service changes.
- IT changes to facilitate the reorganisation such as access and updates to system starters and leavers to ensure security and appropriate access to systems and data.
- Other standing data was reviewed such as emergency planning and business continuity plans to ensure adequate governance following significant staffing changes.
- Departmental meetings held with the Chief Executive and relevant Head of Department as part of facilitating the on-going organisational changes.

A number of activities and actions were also undertaken during the year in reviewing and strengthening the Council's Governance Framework. These are set out below against the six core governance principles included in the Council's Code of Corporate Governance.

Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

- A process of continual improvement is maintained in terms of both financial and non-financial monitoring.
- The Council in partnership with ECC have signed a memorandum of understanding with the objective of developing closer working relations and creating improved joint services for local people.
- Fundamental Service Reviews commenced during the year including how Council Services can be better delivered with Departments seeking the identification of improvements based on both qualitative and quantitative measures.
- The Council is engaged in a number of big partnership projects such as 'Essex Family' to prototype new ways of working to deliver improved outcomes for the community whilst reducing the cost to service providers and increasing the role of the voluntary sector.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- An updated protocol, Planning Matters: Local Protocol for Councillors, was approved by the Standards Committee to provide guidance on the role of Members and officers in the planning system.
- A policy of “open calendars” was introduced during the year as part of challenging what we do and where we can be more effective in working together.

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Sub-Committees of the Standards Committee considered 17 complaints by a number of complainants against Councillors of alleged breaches of the Members’ Code of Conduct. 2 of these complaints related to alleged breaches by District Councillors and the remaining 15 complaints related to Parish members. ‘No action’ was taken in respect of 4 allegations. 12 complaints were referred to the Monitoring Officer for ‘other action’ by way of advice, recommendation or reminder. One investigation was implemented, but the complainant formally withdrew his complaint on receipt of the investigators draft report and findings.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The Council continues to embrace transparency and openness by extending transaction details published on the Council’s website each month to all transactions not just those over £500.

Developing the capacity and capability of Members and officers to be effective

- The Council continues to hold Investors in People accreditation.
- Fundamental Service Reviews are underway to challenge how we can improve on the delivery of services and developing capacity to continue to strive for continuous improvement.

Engaging with local people and other stakeholders to ensure robust public accountability

- The second year of the using an interactive budget consultation tool was implemented to continue to obtain the views of the public on where the Council spends its money with the information considered by Members during the setting of the 2012/13 budget.
- A general update on issues such as those emerging from the Localism Bill was sent to Town and Parish councils to draw to their attention to issues that they need to aware of and where the Council can provide support.
- Formalisation of the Tenant Panel Scrutiny role to enable a robust system of challenge for the housing landlord role.
- Work to implement improvements to the Council’s website remained on-going throughout 2011/12 with the resulting changes going live in 2012/13.

In respect of specific actions identified as part of last years Annual Governance Statement, actions undertaken include:

- Planning Service Improvements – A Fundamental Service Review has been undertaken which supports the service in continuing to deliver focused improvements that were previously considered and agreed.

- Financial Resilience - A number of strands of work were undertaken as part of the wider Tending Spending Review Delivery Plan and transformational agenda with significant savings in excess of £4m identified to support the Council in achieving a sustainable financial position in the long term.

The Council also draws assurance on its governance arrangements from independent sources, in particular:

Internal Audit

The Internal Audit Service undertakes a risk based programme of audits each year to provide the Council with assurance on the adequacy of its system of internal control.

A summary of the issues identified in the audits completed during the year were included in periodic reports to the Audit Committee, with the Committee's attention drawn to any significant issues where the level of assurance was classified as Limited. There were no special investigations undertaken during the year.

Taking into account the issues identified during the year and reviews by other assurance providers, it was possible to provide reasonable assurance that the systems of internal control were generally operating adequately and effectively.

External Audit

The Council is subject to an annual programme of external audit work associated with the Council's Statement of Accounts and value for money arrangements.

Each year the auditor's overall findings are brought together in an Annual Audit Letter which is available on the Council's website. Action is taken on issues identified with recommendations monitored by the Council's Audit Committee on a regular basis.

Actions taken in 2011/12 include:

- A Fundamental Service Review of the regeneration service remains in progress and the outcome will establish the strategic and operational role of regeneration alongside the associated delivery arrangements.

Responses to any significant issues identified in 2011/12 along with any other actions are included in the next section.

5. GOVERNANCE ISSUES

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified.

Governance Issue	Action
Member Representation on Outside Bodies	Complete the comprehensive review of the Council's representation on outside bodies including a 'feedback' process.
Identifying and delivering against corporate priorities	Heads of Department continue to develop new performance management arrangements to establish a strong and clear set of actions

	centred around high level corporate goals and new performance management indicators along with high priority and business critical measures and objectives.
Risk Management	As part of the staff reorganisation and departmental changes, review the way that risk management is undertaken within the authority with the aim of building the strategic risk register more comprehensively from the individual departmental risks with appropriate links to the Internal Audit work plan.
Financial Resilience	Via the Financial Strategy process, maintain a strong and robust approach to identifying savings and respond to new or additional burdens against the additional backcloth of the potential for further cuts in Government funding.
External Audit	As part of the processes involved in the abolition of the Audit Commission, a new Audit Firm is taking on the External Audit role for the Council from September / October 2012. The Council will seek to embed the new arrangements / relationship as quickly as possible and continue to maximise the benefit of working with our Auditor to identify opportunities for further improvements.

The above activity along with further opportunities for improvement within the Council will be considered and incorporated into the Council's overall performance, policy and business planning framework and monitored by the Cabinet and/or relevant Committee during 2012/13.

We are satisfied that these steps will address the need for improvements that have been identified and will monitor their implementation and operation during the year and as part of our next annual review.

Ian Davidson
Chief Executive

Neil Stock
Leader of the Council

Date

Date