

AUDIT COMMITTEE

27 JUNE 2013

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.5 ANNUAL GOVERNANCE STATEMENT 2012/13

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek approval of the Annual Governance Statement for 2012/13.

SUMMARY AND POSITION FOR 2012/13

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*, along with an update published in December 2012 which has been taken into account in preparing the Annual Governance Statement.

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 2012/13 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 2012/13 was robust with improvements made during the year, although a number of items have been identified for progressing in 2013/14. To monitor progress, these improvement actions will be reported to Members as appropriate.

In terms of the actual Code of Corporate Governance itself, it is proposed to bring an updated document to the September meeting of this Committee for approval, as part of the ongoing nature of keeping it updated taking account of factors such as changes within the Council and any new guidance.

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 Appendix A.**

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
<p>Finance and other resources There are no direct financial implications arising from this report.</p> <p>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.</p>
LEGAL
<p>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 an Annual Governance Statement in accordance with “proper practices”.</p>
OTHER IMPLICATIONS
<p>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.</p> <p>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.</p>

PART 3 – SUPPORTING INFORMATION
BACKGROUND PAPERS FOR THE DECISION
None.
APPENDICES
Appendix A – Annual Governance Statement 2012/13

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2012-13

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 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 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*. A copy of the authority's code is available to be viewed or downloaded from the Council's website (www.tendringdc.gov.uk) or can be obtained by contacting the Council's Corporate Services Department. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

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 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 services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place in the Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements as reflected in the Code of Corporate Governance for 2012/13 were:

- 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.
- Whistleblowing and complaints procedures that provide 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 stakeholders and partners.

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 overall adequacy and effectiveness of the Council's internal control environment.

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 was on-going within the Council in 2012/13 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:

- Review of overall performance, incorporating financial and non-financial information, and change management by Management Team and Members.

- The translation of the corporate plan objectives into corporate goals to enable targeting of work by departments.
- Review of the Council's Constitution on a regular basis with changes made where appropriate to reflect operational experience and changes in legislation, with all Corporate Directors / Head of Department and Management Team contributing to this review. The scheme of delegated powers forms part of such reviews. Updates have been made to reflect the requirements of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and changes to the officer structure and portfolios.
- Regular meetings of Management Team which include the Chief Executive, all Corporate Directors / Head of Department in attendance to discuss relevant matters, issues and strategic challenges facing the Council and to help to take the organisation forward.
- Three Overview and Scrutiny committees, Corporate Management, Service Development and Delivery, and Community Leadership and Partnerships which met in total on 28 occasions during 2012/13.
- An Audit Committee which met on four occasions during 2012/13 to enable it to fulfil its statutory, regulatory and governance responsibilities including the monitoring of Internal and External Audit recommendations, the monitoring of the development and operation of risk management, the approval of the Statement of Accounts for publication, and review of counter fraud and anti-corruption arrangements.
- Staff updates by the Chief Executive covering issues from the reorganisation to staffing matters and service changes.
- Compliance with accounting and auditing codes and standards.

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 Officer Structure of the Council was revised and Departmental Fundamental Service Reviews were undertaken during the year identifying improvements based on both qualitative and quantitative measures to facilitate service delivery within the resources available.
- The Council continued to be engaged in a number of big partnership projects such as the Whole Essex Community Budget Pilot to bring about sustained system change in local services, to recast collective activity around the needs of local communities and citizens, and to deliver the conditions for growth that supports businesses and residents.

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

- The development of corporate goals by members to provide high level guidance to Departments as to how to target their work to deliver on the main aims of the Corporate Plan.
- The setting up of a Portfolio Holder's Working Party to increase the transparency of funding allocations made from the Council's Big Society Fund.

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

- The Council adopted a new Members' Code of Conduct compliant with the requirements of the Localism Act 2011.
- A Statutory Officer's Conduct Panel (Officer Panel) was established to receive complaints regarding Members and assess complaints against assessment criteria. A Conduct Committee was established to consider those complaints referred by the Officer Panel. The Conduct Committee met on three occasions to consider four complaints.

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

- The Council continues to embrace transparency and openness by including transaction details published on the Council's website each month to all transactions not just those over £500.
- The Council continues to embrace transparency and openness by publishing summary salary information on the Council's website each month for all grades within the officer structure, and now extended to include Members Allowances.
- Revision of the Council's Complaints Procedure
- Initiation of development of a revised approach to risk management within the Council.

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

- The Council continues to hold Investors in People accreditation.
- Fundamental Service Reviews undertaken to challenge and improve on the delivery of services and development of capacity to continue to strive for continuous improvement.
- Revised approach to personal target setting for officers, capturing personal development opportunities.

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

- The ongoing use of an interactive budget consultation tool 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 2013/14 budget.
- The introduction of question time events enabling members of the public to raise questions with a panel of cabinet members.
- Amendment to the Public Speaking Scheme for Planning Committee meetings to address inequalities in existing scheme.
- The ongoing development of the Council's website

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

- Member Representation on Outside Bodies – A review has been undertaken of the Council's representation on outside bodies, and a feedback process introduced.
- Identifying and delivering against corporate priorities – Corporate goals have been introduced to provide high level guidance.
- Risk Management – Revised risk management processes were being piloted in 2012/13, with a view to being rolled out across the Council in 2013/14.

- Financial Resilience – Work has continued to review the delivery of services by the Council to provide savings required to enable the Council to achieve a sustainable financial position in the long term.
- External Audit – The external audit role transferred from the Audit Commission to Ernst and Young during 2012/13. Meetings have been held to develop and embed the new arrangements / relationship to maximise the benefit of working with our external auditor to identify opportunities for further improvements.

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

Internal Audit

The Internal Audit function 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. The committee were made aware of unscheduled assignments / 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 Governance Report and Annual Audit Letter (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.

5. REVIEW OF EFFECTIVENESS AND SIGNIFICANT GOVERNANCE ISSUES

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

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
Risk Management	To roll out and embed the revised risk management framework across the Council

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.
Ethical Governance	The Leader of the Council to work with all members and the senior management team to continue to embed a culture of strong ethical governance at all levels, and specifically to implement effective revised arrangements for Member conduct and complaints.
Council's Constitution	Complete a comprehensive review of the Council's Constitution to ensure that it is fit for the future.
Other Major Issues	To manage the financial and reputation risks of the changes arising regarding Local Council Tax support and business rates.
	To ensure that adequate and effective management and procurement arrangements are put in place to support key projects such as the Clacton to Holland Haven coast defence scheme.

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 needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Ian Davidson
Chief Executive

Peter Halliday
Leader of the Council

Date

Date