ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

1. Darlington Borough 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.

2. 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.

3. The Council 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. A copy of the Code is on our website at www.darlington.gov.uk or can be obtained from:

   Democratic Services
   Corporate Services Department
   Town Hall
   Feethams
    Darlington
    DL1 5QT
    Tel (01325) 388351

4. This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

6. 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 efficiently, effectively and economically.

7. The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

The Governance Framework

8. The key elements of the Council's governance framework are tabulated in Appendix A to this statement which also indicates their relevance to the following six core principles that underpin good governance:-

   (a) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

   (b) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

   (c) Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

   (d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

   (e) Developing the capacity and capability of members and officers to be effective.

   (f) Engaging with local people and other stakeholders to ensure robust public accountability.

9. Each key element, as detailed in the Council's Local Code, has a nominated lead officer, outlines the duty to which it relates and includes three discrete types of action:-

   (a) Awareness - making sure that everyone who needs to know about the element does know.

   (b) Monitoring - ensuring that the duty is carried out.

   (c) Review - actions to ensure that the element is reviewed in the light of effectiveness and emerging good practice.

10. The governance framework encompasses the Council's financial management arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Review of Effectiveness

Background

11. 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 an Assurance Framework, documented in Appendix B, that includes the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Corporate Assurance's Annual Internal Audit Report, and also comments made by the external auditors

and other review agencies and inspectorates.

12. This Statement has been prepared by a management group that has responsibility for evaluating assurances and the supporting evidence. The group comprises the:-

   (a) Director of Resources (S151 Officer)
   (b) Assistant Director Resources (Monitoring Officer)
   (c) Assistant Director Development and Commissioning (Services for People)
   (d) Head of Human Resource Management
   (e) Head of Corporate Assurance

13. The Audit Committee is responsible for the independent review and approval of the Annual Governance Statement following examination of the supporting evidence.

14. Assurance on adequacy and effectiveness is outlined under the following categories identified in the Council's Assurance Framework.

Local Code of Corporate Governance

15. The Audit Committee received six-monthly monitoring reports in December 2010 and July 2011 to ensure that Members were satisfied that the management processes defined in the Council's Local Code were actually being adhered to throughout the organisation.

16. The reports concluded that overall, positive progress was being made on the application of Corporate Governance within the Authority.

Managers' Assurance Statements

17. Annual Managers' Assurance Statements (MAS) are an integral part of the framework that supports production of the Annual Governance Statement.

18. The Statements cover key aspects of the internal control environment on which assurance is required and following the Council restructure the 2010/11 documents were completed by all Assistant Directors and endorsed by the appropriate Director. The output from the exercise was reported to the Audit Committee in July 2011.

19. The overall position was positive. Two common themes were identified namely service specific Business Continuity Plans (BCPs) and Equalities training and awareness. In terms of BCPs, as a result of the Council restructure, priority services are to be redefined and service specific plans documented, fully tested and regularly reviewed. As regards Equalities, a programme of staff training and awareness will need to be delivered once the Council's Scheme has been developed to reflect the duties imposed by the Equality Act 2010. Other matters raised concerned more specific operational issues to be addressed in certain areas related to changes in duties and responsibilities.

20. In previous years Darlington schools completed MAS known as Statements of Internal Control (SIC) as one of the requirements of the Financial Management Standard in Schools (FMSiS). The coalition government announced the cessation of FMSiS in November 2010 with the intention of replacing it with a much simpler regime to be rolled out to schools during 2011. In the interests of good governance, in the interim, Darlington schools were encouraged to complete a SIC for the 2010/11 financial year. The SICs returned identified

only individual operational aspects to be addressed at specific schools.

Performance Management

21. The coalition government abolished the performance framework of national indicators, local area agreements and comprehensive performance assessment. Henceforth local authorities would not be subject to a national overview of their performance and were free to develop a framework that reflected their own priorities and needs. Since abolition effectively took place mid-year it was decided that the Council would continue with the service plans that it had in place for 2010/11 and also to maintain broadly the same reporting arrangements.

22. Reporting of performance involves regular reports to Group Management Teams, Chief Officers Executive, Cabinet and Scrutiny Committees. Scrutiny Committees also undertake detailed consideration of performance against specific indicators periodically. The Chief Executive meets with each Director in a performance clinic to challenge performance in their Group. Members and Officers are able to look at more detailed performance information by using the Council's computerised performance management system, PerformancePlus.

23. A major review of the Council's performance management framework is underway given the substantial changes that have taken place. These include not only the absence of a national framework but also substantial budget cuts that are in train or have been implemented. The change to strategic commissioning will have a significant impact on the kind of framework that the Council requires.

24. Performance against targets for the community strategy themes and corporate objectives is generally positive, although targets have not been achieved for a limited number of indicators where under performance has impacted on the headline picture for a number of themes and objectives. Although inspections have been heavily scaled back those that have taken place have been generally positive.

25. The Annual Performance Assessments of Adults Social Care by the Care Quality Commission and Children's Services by Ofsted were reported to Cabinet in January 2011. Adult Social Care was judged as 'performing well'. Children's Services was judged as performing 'adequately', a summative assessment that showed the authority area had some outstanding services and some inadequate. The services judged as inadequate included some managed by the local authority such as the pupil referral unit and some private provision such as child care settings. There are improvement plans in place for any local authority services judged as less than satisfactory and the local authority is working with private providers to help them improve the quality of their provision. Children and Young People's Scrutiny continues to play a vital role in holding performance to account.

Financial Management

26. The Council's Medium Term Financial Plan incorporates four-year financial plans. The Council sets its annual revenue budget, capital programme and council tax and treasury management strategy within this wider planning framework. The Medium Term plans, annual budgets and council tax are developed in consultation with partner organisations in all sectors, residents and employees and are approved by full Council.

27. The Medium Term Financial Plan (MTFP) for 2011 to 2015 includes detailed plans to achieve savings of £13.8 million. In developing the savings proposals Cabinet embraced its

agreed business model and considered the following within the constraints of delivering savings quickly:

(a) HOW do we do things, can we be more efficient?
(b) WHAT do we do, are the things we do delivering on key priorities and can we afford the same levels of service in the future?
(c) WHO delivers services, can services be delivered more effectively and efficiently by partnering with others or by getting others to deliver the services on the Council's behalf?

28. Consequently, the MTFP includes a target for further savings, estimated to be around £7.7 million. The Plan is continually monitored and reviewed and is revised at least annually when an updated rolling four year plan is produced.

29. Responsibility for controlling and managing budgets is delegated to Directors and devolved to service managers. Financial management is closely integrated with service management. Cabinet and Resources Scrutiny Committee receive regular reports to enable them to monitor and scrutinise financial performance and service delivery.

30. The Council must comply with external financial reporting requirements, including publishing an annual Statement of Accounts ('the Accounts') and reporting to Central Government and other funding providers. The Accounts, which are prepared in accordance with relevant legislation and codes of practice, are approved by the Council's Audit Committee and are independently audited under arrangements made by the Audit Commission. The auditors gave an unqualified opinion on the Council's 2009/10 accounts by the target date of 30 September 2010 and commented that the accounts presented for audit and supporting working papers were of high quality. The auditors also commented that good progress was being made to meet the requirement to implement International Financial Reporting Standards, which is a substantial development in accounting and reporting across the UK public sector.

31. The Council's cash-flow, borrowing to finance capital expenditure and investments are managed through the Treasury Management Strategy, approved by full Council, and in accordance with legislation and codes of practice. The Strategy and associated policies and procedures were reviewed and further strengthened in 2010. The Council manages its investments to minimise risk of losses, ensure funds are available when needed and achieve interest income.

32. Specific arrangements exist for schools, to which responsibility for management of finance and other resources has been devolved under legislation. All Darlington schools were accredited under the FMSiS prior to its cessation in November 2010.

Risk Management

33. Risk is one of the elements of information incorporated into the development of departmental service plans and the Corporate Plan. Risk management is, therefore an essential element in establishing policy, developing plans and enhancing operational management.

34. The risk management process involves identifying, analysing, managing and monitoring risks. The identification of risks is derived from a 'top down' (corporate) and a 'bottom up'

(group) process of risk assessment and analysis resulting in coverage of the whole Council. The process prioritises the risks resulting in a focus upon the key risks and priorities. The risks are managed through the development of appropriate action plans, allocated to responsible officers.

35. The approach to, and the outcomes from, the Council's risk management processes for 2010/11 were reported to the Audit Committee in April 2011. The report detailed generally positive progress upon delivery of action plans to mitigate key risks including those relating to delivery of the Council's Transformation agenda, information governance and project management, an area that is mentioned in more detail elsewhere in this Statement. The report also outlined advances in the management of operational risks through the Council's Corporate Risk Management Group. These included the continued use of Smartwater in Darlington schools, a solution used to mark property with a 'forensic footprint' that links anyone in possession of stolen items with the crime scene, that has led to a reduction in instances of theft and vandalism within school property.

ICT

36. The Council's ICT Strategy focuses on five key programmes, namely the delivery of a robust core architecture on which to deliver ICT services; the provision of flexible and efficient mobile and office based technologies; the implementation of a robust and secure information management process and systems; the management of a robust governance framework for ICT projects and investments; and the advancement of standards and procedures within ICT with the aim of delivering excellent services.

37. Implementation of the Strategy within the new Council structure is led by the Chief Officers Board, replacing the smaller cross-Council ICT Strategy Group. The Chief Officers Board is tasked to produce six-monthly reports on implementation progress to the Audit Committee.

38. The progress report to the Audit Committee in April 2011 documented positive progress on each of the five key programmes. This included reference to the server virtualisation programme, the completion of the new data centre, the successful completion of the wireless trial, the printer consolidation project, roll out of software encryption and the work done within Xentrall ICT Services to retain certification to ISO 27001, the international standard for information security management. The report also referred to the recently completed review of the ICT Services structure that was designed to improve both the governance and performance aspects of ICT service delivery.

Internal Audit

39. The Council's Internal Audit Division operates to the standard defined in the CIPFA Code of Practice for Internal Audit in Local Government. The Annual Internal Audit Plan is risk-based and sets the foundation for an objective review of key controls and procedures operating within the Council.

40. The Audit Committee approves the Annual Internal Audit Plan and receives progress reports against the Plan during the year including any significant matters arising or other issues of concern and Internal Audit's Annual Report.

41. Internal Audit concluded in their Annual Report for 2010/11, reported to the July 2011 Audit Committee, that overall the Council continues to operate within a control environment that is

generally sound.

Review of Internal Audit Effectiveness

42. A review of the effectiveness of the Council's internal audit was carried out by a team of senior officers that comprised the Strategy and Performance Manager, the Assistant Director Adult Social Care and Housing and the Head of Regulatory Services. The findings of the review were considered by the Audit Committee in July 2011.

43. The review team concluded that the Council has an effective internal audit.

Xentrall-Shared Service Partnership

44. A shared service partnership was established in May 2008 with Stockton BC for the provision of ICT, Transactional Finance and HR and Print and Design.

45. The internal audit of the partnership was undertaken by Stockton BC and the outcome from the audit work carried out was reported quarterly to the Darlington Audit Committee. The overall position on audit assurance opinions was positive.

Partnership Working

46. In March 2007, Cabinet adopted a partnership working toolkit to provide a means to ensure that the Council's resources were effectively employed, the performance of each partnership was monitored and adequate governance arrangements were in place. As part of the toolkit, a clear definition of a partnership and those classed as significant was documented. The toolkit that comprises an on-line questionnaire is completed by the lead officer for each partnership.

47. There are annual reviews of significant partnerships led by the Darlington Partnership Director based upon completed questionnaires. The outcomes from the latest review were reported to Cabinet in June 2011.

48. The report summarised the range of partnership working undertaken by the Council and although an overall positive position on outcomes and governance arrangements was depicted use of the partnership toolkit had highlighted specific outstanding governance issues in certain partnerships. As a result, action plans have been developed and responsible officers identified to address the outstanding matters.

49. Partnership Lead Officers recognise and accept that ensuring governance arrangements remain relevant is an ongoing process. For example, Terms of Reference are reviewed periodically to ensure that they remain fit for purpose and risk registers are regularly updated to reflect emerging risks and changes in circumstances.

50. The toolkit has been effective in identifying high level concerns of the significant partnerships, the most common of which are levels of resourcing, uncertainty as a result of emerging policy and fundamental changes in operating landscape. Over the coming year there will be many changes to the context for partnerships not least the review of the Darlington Partnership. The review is likely to propose a more streamlined set of arrangements for partnership working, reflecting the reduction in resource faced by public

agencies into the future.

Standards Committee

51. The Standards Committee continues to monitor a set of Ethical Health Indicators designed to provide an indication of any peaks in activity which indicate dissatisfaction with the Council across a range of areas of the Council's activities. The Committee has an ongoing work programme set out in its Annual Report and oversees the Council's Confidential Reporting Policy, the Protocol for Member Officer Relations, Member Training and other key documents. The Committee has links with other Committees across the Tees Valley providing joint training for members and parish councils and has a joint work plan with Tees Valley authorities.

52. The latest Annual Report of the Committee presented to Council in April 2011 noted a reduction in Member conduct complaints from seven to five and there have been no complaints upheld against a Member of Darlington Borough Council since introduction of the ethical framework.

53. During the year the Committee received and considered a report about the new Government's proposals for radical change relating to the way that local authority member conduct is dealt with. The proposal to abolish the Standards Board for England led in 2010 to Standards for England scaling back their role and cancelling the annual national conference. The Committee itself is subject to proposed legislative change which aims to take away the requirement for the Committee, the Code of Conduct and the complaints regime. The Committee has begun discussions about its role within this changing environment. In the meantime training on the Code of Conduct for new members has taken place.

Resources Scrutiny Committee

54. Scrutiny forms an important part of the Council's governance arrangements by providing independent examination of executive roles. Resources Scrutiny Committee has responsibilities for examining the Council's arrangements for financial planning, management and reporting and for efficiency and value-for-money. The Committee develops and implements an annual work programme to manage its continuing oversight role and undertake specific pieces of work.

55. During 2010/11 the Committee again scrutinised and contributed to the development and embedding of improved project management. The Committee continued with the Budget Management and Efficiency Review Group that conducted monthly monitoring of the revenue budget during 2010/11. The Committee and Review Group also had early involvement in the annual review of the Medium Term Financial Plan and held a number of special meetings to challenge both the Chief Officers Executive and other Scrutiny Committees on the draft plan and made recommendations to Cabinet in February 2011 to inform their deliberations. Following the Council restructure and the election of a new Leader there is to be a review of Scrutiny Committees and Review Groups to better align them to the new Cabinet portfolios and management structures. However, Resources Scrutiny will continue to lead on scrutinising the budget and MTFP.
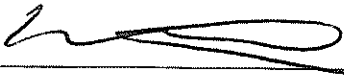
Annual Audit Letter

56. The Annual Audit Letter, produced by the Council's external auditors PricewaterhouseCoopers LLP (PwC) to provide a high level summary of the results of their audit work undertaken for the benefit of Members and other interested stakeholders, was presented to the Audit Committee in December 2010. The Letter was positive.

57. The external auditors issued an unqualified conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

58. PwC also commented that they found no areas of concern following a review of the process adopted by the Council to collate the evidence used to support the Annual Governance Statement.

Significant Internal Control Issues

59. The Council has implemented a new Capital Project Management methodology in response to significant overspends on two particular major capital schemes mentioned in previous Annual Governance Statements. The approach has been adopted and rolled out across the Council. Relevant staff have been trained in the methodology and related procedures and received a copy of the Council's Project Management Handbook. The Council's intranet has also been developed to provide useful reference and supporting material. Supplementary guidance notes and revisions are being developed to strengthen processes as a result of the experiences and continuous learning from practice.

60. The Asset Management and Capital Programme Review Board is a Group chaired by the Director of Resources with membership formed from Chief Officers with responsibility for capital projects, Council assets and those with specific technical, financial and legal expertise to add value to challenge and monitoring of the programme. The Group has refreshed their terms of reference to focus on strategic gate-keeping and consideration of capital projects governance.

61. The Projects Office has become established and taken responsibility for the coordination and monitoring of a Project Position Statement (PPS). The PPS provides a single source of key information relating to the Council's commitments on capital projects and programmes and enables challenge to be made on projects that that exhibit warning signs that they may deviate from time, cost or quality. The PPS is reported to the Asset Management and Capital Programme Review Board at every meeting and regularly through Cabinet and Resources Scrutiny Committee. The Group have specialised project management skills that are being used to develop the methodology and guidance for staff and to specifically manage significant capital projects.

Statement by the Leader of the Council and Chief Executive

62. 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 are committed to ensure the continuous improvement of the system in place.

Signed _____   Dated ___7/10/11___

Leader of the Council

Signed _____   Dated ___7\10\11___

Chief Executive

Document/Function	Core Principles 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	Members and officers working together to achieve a common purpose with clearly defined functions and roles	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Developing the capacity and capability of members and officers to be effective	Engaging with local people and other stakeholders to ensure robust public accountability
Sustainable Community Strategy	✓					✓
Constitution		✓		✓		✓
Service Planning Framework	✓	✓			✓	✓
Business Transformation Projects	✓	✓		✓	✓	
Community Engagement Strategy	✓				✓	✓
Communication Strategy	✓	✓	✓	✓		✓
ICT Strategy	✓		✓		✓	✓
Human Resources Strategy	✓	✓	✓		✓	
Performance Management Framework	✓	✓	✓		✓	
Schedule of Council Meetings				✓		✓
Council Procedure Rules			✓			
Record of Decisions		✓		✓		✓
Partnership Working Toolkit	✓	✓	✓	✓	✓	✓
Code of Conduct for				✓	✓	

Members						
Members Induction and Training Programme				✔	✔	
Code of Conduct for Employees				✔	✔	
Officer and Member Protocols		✔	✔			
Confidential Reporting Policy				✔	✔	
Code of Corporate Governance	✔	✔	✔	✔	✔	✔
Risk Management Strategy				✔		
Anti-fraud and Corruption Policy				✔		
Capital Programme Methodology		✔		✔		
Information Governance Policy	✔		✔	✔	✔	✔
Procurement Strategy	✔	✔	✔	✔		✔
Contract Procedure Rules	✔	✔	✔	✔		✔
Medium Term Financial Plan/Budgets	✔	✔		✔		✔
Treasury Management Framework		✔		✔		✔
Annual Statement of Accounts	✔					✔
Financial Procedure Rules	✔	✔	✔	✔		
Scheme of Delegation		✔		✔	✔	
Complaints Process	✔		✔	✔		✔
Social Inclusion Strategy	✔		✔			✔
Equalities Plan	✔		✔			✔

Assurance Framework

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
Internal Control environment inadequate/ineffective.	Internal Audit	Internal Audit Strategy. Internal Audit's Role and Terms of Reference. Risk based Annual Internal Audit Plan. Internal Audit Reports/opinions and outcomes from consultancy work undertaken.	Internal Audit Strategy. Internal Audit's Role and Terms of Reference. Risk based Annual Internal Audit Plan. Internal Audit reports/opinions and outcomes from consultancy work undertaken.	Internal Audit's Strategy, Role and Terms of reference and Annual Audit Plan approved by the Audit Committee. Quarterly/Annual Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan. Annual Report includes an overall opinion on the Council's control environment.
The financial position of the Council not presented fairly in the Financial Statements; the Annual Governance Statement not presented in accordance with relevant requirements; and proper arrangements are not in place to secure economy, efficiency and effectiveness in the use of resources.	External Audit	Risk based External Audit Plan. External Audit Reports/opinions.	Internal Audit's Annual Audit Plan discussed with External Audit to facilitate External audit planning and minimise the duplication of audit effort wherever possible.	External Audit Plan and External Audit Reports, including the Annual Audit Letter, considered by the Audit Committee. Annual Audit Letter considered by Cabinet.
Inadequate provision of services to the	External Inspection Agencies	External Inspection Agencies' reports.	External Inspection reports reflected upon in the Internal Audit	External Inspection reports considered by Cabinet.

people of Darlington.			planning process.	
Business risk processes inadequate/ineffective	Risk Management and Insurance Section	Risk Management Strategy Corporate/Departmental Risk Registers. Corporate Risk Management Group and Sub-Group Agendas and Minutes. Officer/Member Training.	Annual Audit Plan developed with reference to Corporate/Departmental Risk Registers. Risk Management function subject to periodic Internal Audit review as part of the cyclical audit process.	Risk Management Strategy endorsed by the Audit Committee and approved by Cabinet. Six-monthly/Annual Reports to the Audit Committee on the outcomes from the Council's risk management processes.
Fraud and corruption arrangements inadequate/ineffective.	Internal Audit and Benefits Enquiry Unit.	Anti-Fraud and Corruption Strategy, Policy, Fraud Response Plan and Money Laundering Policy. Housing Benefit/Council Tax Anti-Fraud Strategy, Policy and Sanctions Policy. Confidential Reporting Policy. Internal Audit reviews of arrangements. Outcomes from bi-annual National Fraud Initiative exercises co-ordinated by the Audit Commission. Internal Audit/Benefits Enquiry Unit case files.	Anti-Fraud and Corruption arrangements, including National Fraud Initiative exercises, administered by Internal Audit. The potential for a service to be susceptible to fraud reflected within Internal Audit's risk assessment model that underpins the annual audit planning process. Internal Audit review of Housing Benefits conducted on an annual basis.	Fraud related Policies and Strategies approved by the Audit Committee and Confidential Reporting policy approved by Council. Annual Reports to the Audit Committee on the outcomes from the Council's anti-fraud and corruption arrangements.
Information governance arrangements inadequate/ineffective.	Information Security Section within Xentrall, Legal Services and External Audit.	Corporate Information Governance Policy, Information Governance Strategy, Information Security Policy and associated delivery framework. COB Agendas/Minutes. Officer/Member Training. Data Quality reflected upon by External Audit in their VFM assessment.	Information Governance/Sensitivity of data is reflected within Internal Audit's risk assessment that underpins the annual audit planning process. Information Governance subject to periodic Internal Audit review as part of the cyclical audit process.	Corporate Information Governance Policy, Information Governance Strategy and Information Security Policy approved by Cabinet. Six-monthly reports to the Audit Committee on progress with implementation of the Policies. External Audit VFM assessment considered by the Audit Committee and Cabinet.
Internal control environment of relevant areas of	Stockton BC Internal Audit	Risk based Annual Internal Audit Plan. Internal Audit reports/opinions and outcomes from consultancy work	Joint working protocol agreed between the Internal Audit Services of Stockton and	Stockton BC's Annual Audit Plan related to Xentrall considered by the Audit

Xentrall inadequate/ineffective.		undertaken.	Darlington to cover Xentrall audits. Copies of all relevant Stockton BC Internal Audit Reports on Xentrall forwarded to Darlington Internal Audit for information.	Committee. Quarterly Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan.
Local Code of Corporate Governance not implemented.	Corporate Group responsible for drafting the Annual Governance Statement.	Local Code of Corporate Governance Local Code individual key documents/functions matrices, completed by relevant Lead Officers, posted on the intranet covering awareness, monitoring and review. Six Monthly update reports to the Audit Committee in respect of the application of Corporate Governance within the Authority.	Internal Audit direct effort annually to validate evidence quoted in the individual key documents/functions matrices posted on the intranet.	Local Code endorsed by the Audit Committee and approved by Council. Six-monthly reports to the Audit Committee on progress with implementation of the Code.
Grant processes inadequate.	External Audit	External Audit Report on audited Grant Claims and Returns.	Grant process arrangements subject to annual review by Internal audit.	External Audit Report on Grant Claims and Returns considered by the Audit Committee.
Health and Safety practices and processes inadequate/ineffective	Health and Safety Unit	Corporate Health and Safety Policy Risk Assessments Reportable Accident Statistics Outcomes from audits undertaken by the Health and Safety Unit. Officer/Member Training.	Health and Safety function subject to periodic Internal Audit review as part of the cyclical audit process.	Corporate Health and Safety Policy approved by Cabinet. Council's performance on health and safety reported annually to Resources Scrutiny and Audit Committee.
Property management arrangements inadequate	Corporate Premises Risk Group	Corporate Premises Database System and supporting documentation.	Corporate Premises Database System subject to periodic Internal audit review as part of the cyclical audit process.	Property management arrangements included in Council Risk Registers and, as such, included within member reporting arrangements for business risk processes.
Management control in respect of operational aspects of	Managers/Schools Assurance Statements.	Annual signed Statements from Assistant Directors and schools.	Arrangements administered and outputs scrutinised by Internal Audit.	Annual report to the Audit Committee on the outcomes from the Assurance Statement

the business inadequate.				process.
Capital Project management arrangements inadequate/ineffective.	Asset Management and Capital Programme Review Board	Asset Management and Capital Programme Review Board Agendas/Minutes and supporting information.	Project Office function subject to periodic Internal Audit review as part of the cyclical audit process.	Project Position Statement reported regularly to Cabinet and Resources Scrutiny Committee.
Partnership governance arrangements inadequate.	Partnership Lead Officers	Annual Partnership Toolkit Questionnaires completed by relevant Council Partnership Lead Officers and supporting documentation.	Partnership Governance Arrangements subject to periodic Internal Audit review as part of the cyclical audit process.	Partnership Toolkit approved by Cabinet. Annual report to Cabinet on the operations of significant partnerships.
Treasury management arrangements inadequate.	Corporate Assurance Division	Treasury Management Policy Statement, Strategy, Prudential Indicators and Procedures.	Treasury Management function subject to periodic Internal Audit review as part of the cyclical audit process.	Treasury Management Policy Statement, Strategy and Prudential Indicators considered by the Audit Committee and approved by Council. Treasury Management Procedures approved by the Audit Committee. Regular/Annual Reports to the Audit Committee and Cabinet on the performance of the Treasury Management function.
Financial management arrangements inadequate/ineffective.	Accounting Services	Medium Term Financial Plan. Corporate Budget Setting/Monitoring processes and supporting documentation. Officer/Member Training.	Financial management arrangements subject to periodic Internal Audit review as part of the cyclical audit process.	Medium Term Financial Plan approved by Council. Quarterly Reports to Cabinet/Resources Scrutiny on Finance/Performance.
Ethical health arrangements inadequate.	Legal Services	Member Code of Conduct. Officer Code of Conduct. Ombudsmen complaints and outcomes. Member/Officer Training.	Legal Services Reports reflected upon in the audit planning process.	Members and Officers Codes of Conduct endorsed by Standards Committee and approved by Council. Standards Committee meet regularly to consider a range of relevant reports.

				Regular report to cabinet on Ombudsmen complaints and outcomes.
Ineffective system of internal audit	Senior Group of Officers	Annual Review of the system of internal audit and supporting documentation conducted in accordance with the Accounts and Audit Regulations.	Internal Audit direct effort annually to support the review process.	Annual Review of the system of internal audit considered by the Audit Committee.