ITEM NO. ...11...................

ANNUAL GOVERNANCE STATEMENT

Purpose of Report

1.   To seek approval of the Council's draft Annual Governance Statement.

Information and Analysis

2.   Regulation 4 of the Accounts and Audi (England) Regulations 2011 requires local authorities to publish, each year, an Annual Governance Statement to accompany the Statements of Accounts.

3.   The Annual Governance Statement must be signed by the Leader of the Council and Chief Executive and is a key corporate document involving a variety of people charge with delivering governance such as the Director of Resources as the financial officer responsible for the accounting control systems and records and the preparation of the Statement of Accounts and the Assistant Director of Resources as Monitoring Officer in meeting her statutory responsibilities.

4.   The Annual Governance Statement to accompany the Statement of Accounts for 2011/12 is attached as **Appendix 1**. It follows the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) recommended format.

5.   The Annual Governance Statement outlines the Council's responsibilities, explains the purpose of the governance framework, sets out the key elements, details the review of its effectiveness, highlights significant governance issues and includes a commitment by the Leader of the Council and Chief Executive to ensure the continuous improvement of the system in place. There should be no surprises in the Statement as it simply reflects outcomes from the Council's assurance framework that have been reported to members during the course of the year.

Recommendation

6.   It is recommended that draft Annual Governance Statement at **Appendix 1** be approved.

Reasons

7.   The recommendation is supported as it comprises part of the Council's corporate governance arrangements.

Paul Wildsmith
Director of Resources

Background Papers

1. CIPFA/SOLACE Publication(s) – 'Delivering Good Governance in Local Government – Framework and

    Guidance Note'

2. CIPF Statement on the Role of the Chief Financial Officer in Local Government.

3. Audit Services' Annual Report 2011/12 reported to Audit Committee June 2012

4. Annual Audit Letter reported to Audi t Committee December 2011 and Cabinet December 2011.

5. Annual Assessment of Darlington Children's Services Reported to Cabinet December 2011.

6. Report on Annual Review of System of Internal Control including the Annual Review of Internal Audit Effectiveness reported to Audit Committee June 2012.

7. Progress reports on Xentrall Audit Plan to Audit Committee September 2011, December 2011, March 2012

    and June 2012.

8. Overview Report on Managers Assurance Statements reported to Audit Committee June 2012.

9. Risk Management Reports to Audit Committee September 2011 and March 2012.

10. Corporate Health and Safety Report to Audit Committee September 2011.

11. ICT Strategy Progress Reports to Audit Committee September 2011 and March 2012.

12. Information Governance Programme Progress Report to Audit Committee March 2012.

13. Corporate Governance Update Reports to Audit Committee December 2011 and June 2012.

14. Anti-Fraud and Corruption Arrangements Reports to Audit Committee December 2011 and June 2012.

15. Audit of Accounts Report to Audit Committee September 2011.

16. Revenue Budget Monitoring Reports to Cabinet July 2011, November 2011 and February 2012.

17. Project Position Statement and Capital Programme Monitoring Reports to Cabinet September 2011, December 2011 and February 2012.

18. Prudential Indicators and Treasury Management Reports to Audit Committee September 2011, December 2012 and January 2012 and to Cabinet February 2012 and Council March 2012.

19. Annual Review of Significant Partnerships Report to Cabinet June 2012.

20. Annual Report of the Standards Committee to Council May 2012.

Brian James: Extension 2140

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	The is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	The report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection upon the Council's governance arrangements and achievements.
Efficiency	There is no specific efficiency impact.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

8. 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.

9. 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.

10. 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
    Resources Group
    Town Hall
    Feethams
     Darlington
     DL1 5QT
     Tel (01325) 388351

11. 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

12. 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.

13. 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.

14. The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts.

The Governance Framework

15. 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.

16. 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.

17. 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

18. 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.

19. 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

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

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

Local Code of Corporate Governance

22. The Audit Committee received six-monthly monitoring reports in December 2011 and June 2012 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.

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

Managers' Assurance Statements

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

25. The Statements cover key aspects of the internal control environment on which assurance is required and were completed by all Assistant Directors and endorsed by the appropriate Director. The output from the exercise was reported to the Audit Committee in June 2012.

26. The overall position was positive. The common themes highlighted were the same as the previous year and related to Business Continuity Plans (BCPs) and Equalities training and awareness. In terms of BCPs, significant progress has been made in that Plans have largely been documented for the priority services and the focus for 2012/13 will be to adequately test the arrangements. As regards Equalities, much of the work carried out during 2011/12 concentrated upon the completion of Equality Impact Assessments for the budget proposals in the 2012/13 to 2015/16 MTFP. Nevertheless the Council has published an Equality Analysis and Equality Objectives within the timescales imposed by the Equality Act 2010. A Single Equality Scheme is to be developed as a new policy framework by the end of September 2012 following which an appropriate programme of staff training and awareness will need to be delivered.

27. Other matters raised concerned more specific operational issues to be addressed in certain areas related to changes in duties and responsibilities.

28. Darlington schools that that have not converted to academy status were to complete MAS known as Statements of Internal Control (SIC) as in previous years. The SICs returned to date have identified no significant matters that require attention.

Performance Management

29. The financial year ended March 2012 was one of continued change and turbulence in terms of budget reductions, the embedding of new Group structures and consolidation of the work to enable the Council to become a commissioning organisation.

30. Against this background and national changes to inspection frameworks and data requirements from central government that have impacted on the Council a review was undertaken of planning and performance management processes both internally and through wider partnership arrangements. The resultant new

Performance Management Framework (PMF) to be operated from 2012/13 is to be considered by Cabinet in July 2012. It ensures clear and decisive multi-dimensional reporting processes with a clear timetable of performance clinics and challenge by senior managers from Heads of Service through to the Chief Executive as well as Cabinet and Scrutiny. In addition, central government with the Local Government Association have developed proposals for self-regulation and improvement by the local government sector including proposals for Corporate Peer Challenge; Children's Services Peer Challenge; and Children's and Adults Safeguarding Peer Challenge.

31. In 2011/12 performance measures and targets were rolled forward from the previous year and the end of year performance is to be reported to Cabinet in July 2012. Noteworthy achievements during the year included Darlington recognised as the most improved local authority in England for the percentage of pupils obtaining five GCSE A*-C including English/Maths with an 11% increase to 65.7%: a percentage increase of 9.18% to 70.75% in the percentage of initial assessments for children's social care carried out within seven working days of referral; and a percentage increase of 17.41% to 68.80% in the percentage of people making a corporate complaint who were satisfied with how it was handled.

32. During 2011/12 the Council received three announced inspections in Children's Services covering Adoption Services; Safeguarding and Looked-after Children's Services, including Health partners; and Fostering Services. These took place in May 2011, November 2011 and March 2012 respectively. The judgements were that Adoption and Fostering Services provide good outcomes for children and young people with some outstanding areas of practice and Safeguarding and Looked-after Children's Services were performing adequately.

33. Action Plans to address the key recommendations from Ofsted have been devised by all partners involved in the Safeguarding and Looked-after Children's inspection that identify those responsible with clear deadlines for completion. Monitoring of the Action Plans takes place through the Local Safeguarding Children Board Performance Sub Group and the Inspection Action Plan Monitoring Group within the People Group. Recommendations from the Adoption inspection have all been implemented and those from the Fostering inspection have been implemented or are progressing to timescales.

Financial Management

34. 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.

35. The Medium Term Financial Plan (MTFP) for 2012 to 2016 includes detailed plans to achieve savings of £8.5 million and a target for future savings of £7.3 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 deliver services, can we be more efficient?
(b) WHAT services we provide, are they delivering on outcomes and key priorities and can we afford the same levels of service in the future?
(c) WHO will provide the services, who is best placed to deliver services in terms of cost and efficiency?

36. The Plan is continually monitored and reviewed by Officers and Members and is revised at least annually when an updated rolling four year plan is produced.

37. Responsibility for controlling and managing budgets is delegated to Directors and devolved to service managers. Financial management is closely integrated with service management and a monthly update is taken to both the Chief Officers Executive and the Chief Officers Board. Cabinet receive regular reports to enable them to monitor and scrutinise financial performance and service delivery.

38. 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 2010/11 accounts by the target date of 30 September 2011 and commented in the Annual Audit Letter that the accounts presented for audit and supporting working papers were of high quality.

39. 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 2012. The Council manages its investments to minimise risk of losses, ensure funds are available when needed and achieve interest income.

40. Specific arrangements exist for schools, to which responsibility for management of finance and other resources has been devolved under legislation. All Darlington schools maintained by the local authority were accredited under the Financial

Management Standard in schools (FMSiS) prior to its replacement in September 2011 by the new Schools Financial Value Standard (SFVS). The SFVS has been designed to assist schools in managing their finances and to give assurance that they have secure financial management in place. The standard is primarily aimed at governors who have formal responsibility for the financial management of their schools. The SFVS will not be externally assessed like FMSiS and local authorities are expected to use schools' SFVS returns to inform their programme of financial assessment and audit. Local authority maintained schools in Darlington are expected to complete and submit their SFVS to the local authority by 31st March 2013 and annually thereafter.

Risk Management

41. Risk is one of the elements of information incorporated into the Council's service planning process. Risk management is, therefore an essential element in establishing policy, developing plans and enhancing operational management.

42. 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.

43. The approach to, and the outcomes from, the Council's risk management processes for 2011/12 were reported to the Audit Committee in March 2012. 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, as well as information governance and project management, areas that are 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 a DNA marking solution in Darlington schools that has led to a reduction in instances of theft and vandalism within school property and the feasibility of extending its use to other Council owned property in an attempt to mitigate the increased risk of metal theft.

ICT

44. The Council's ICT Strategy focuses on five strategic priorities, namely ICT Service Development; ICT Governance; ICT Strategic Architecture; Business Change Programme; and an ICT Competent Workforce and Members.

45. Implementation of the Strategy is led by the Chief Officers Board which is tasked to produce six-monthly reports on implementation progress to the Audit

Committee.

46. The progress report to the Audit Committee in March 2012 documented positive progress on each of the five key programmes. This included reference that ICT Services had successfully retained certification under the ISO 27001 Information Security Management and ISO 9001 Quality Management Standards; the Council's firewall security and protection systems are being upgraded; the ICT Service has representation on the Council's Transformation programme to enable appropriate input to be given at source; and a comprehensive programme of professional and technical training exists for the ICT Team.

Information Governance

47. The Council has an Information Governance Work Programme that has been developed to address the need for appropriate controls to be embedded and consistently applied across all services. The Programme has a number of strands including Information Security Policy; Information Risk Assessment; Information Governance Training and Awareness; and Information Sharing. It also addresses particular issues such as the transfer of Public Health responsibilities to the Council.

48. Implementation of the Programme is led by the Chief Officers Board which is tasked to produce six-monthly reports on implementation progress to the Audit Committee.

49. The progress report to the Audit Committee in March 2012 documented advances in all areas of the Programme. However, it was acknowledged that the Council was delivering the Programme against a background of reorganisation and financial constraint and that progress was gradual. Consequently the information risk management programme that was underway was critical to identifying and prioritising information risks to ensure that available resources were used to best effect.

50. Progress documented included that Information Governance training and awareness had been delivered in a variety of ways utilising on-line training courses, corporate communication channels, the intranet and face-to-face courses and workshops; a best practice information sharing template was circulated to all Heads of Service who were to use it to review existing arrangements with partners for service delivery purposes and draft new ones; and the local transition plan developed to manage the transfer of public health responsibilities to the Council by April 2013 contained an information governance work stream on which the Council's Information Management Team were represented.

Internal Audit

51. 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.

52. 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.

53. Internal Audit concluded in their Annual Report for 2011/12, reported to the June 2012 Audit Committee, that overall the Council continues to operate within a control environment that is generally sound.

Review of Internal Audit Effectiveness

54. 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 June 2012.

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

Xentrall-Shared Service Partnership

56. 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.

57. 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

58. 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.

59. 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 2012.

60. 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.

61. 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.

62. 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. As reported to Cabinet in March 2012 during the coming year there will be many changes in partnership arrangements to enable the Council to rationalise and better coordinate its partnership working. Existing Local Strategic Partnership Theme Groups are to be phased out; officer group arrangements developed to support Cabinet decision making; and a shadow Health and Well Being Board established. The Partnership Toolkit will continue to play a pivotal role in ensuring that adequate governance arrangements are in place.

Standards Committee

63. 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 also continues to deal with any complaints that are received about the conduct of members.

64. The latest Annual Report of the Committee presented to Council in May 2012 noted six complaints that members had broken the Code of Conduct although in reality the behaviour complained about related to the conduct of two members in separate instances. This represents a very low number of complaints given the national average of complaints for unitary councils of around thirteen. In terms of outcomes, the decision to investigate one case was re-considered shortly afterwards when the member concerned was not re-elected in the May 2011 Council election and no further action was taken in the other instance as the

complaints did not disclose a potential breach of the Code of Conduct.

65. Nationally, as a result of the Localism Act 2011, there have been some significant changes in member standards that resonate locally. The strategic regulator in this area, the Standards Board for England, has been abolished and closed down in April 2012. The national model Code of Conduct is being scrapped and local authorities can adopt their own local Code subject to certain constraints relating to the 'Nolan' principles of public life and pecuniary interests. Local authorities will no longer be required to have a Standards Committee but will still have a complaints handling role.

66. The Standards Committee was involved in considering the new arrangements that needed to be in place when the Localism Act provisions relating to standards came into effect in July 2012. Council resolved in May 2012 to retain the Standards Committee, appointed to the new 'independent person' post, approved a revised Localism Act compliant Code of Conduct and agreed a revised procedure for complaints against members.

67. One of the consequences of the Localism Act and the abolition of the Standards Board for England will be that locally the role of the Standards Committee will take on new prominence in an amended 'stand alone' role without the former strategic oversight and guidance that came from the Standards Board. The Standards Committee will be keeping under review the revised arrangements and will continue their role in promoting high standards of conduct by members.

Resources Scrutiny Committee

68. 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, performance and service delivery, project and asset management and procurement and contracts. The Committee develops and implements an annual work programme to manage its continuing oversight role and undertake specific pieces of work.

69. During 2011/12 the Committee 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 2012 to inform their deliberations. Resources Scrutiny will continue to lead on scrutinising the budget and MTFP and assist with the implementation and development of the required savings.

Annual Audit Letter

70. 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 2011. The Letter was positive.

71. 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.

72. 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

73. The Council has a capital project management methodology in place and controls exist to ensure any new significant projects are assigned to the Capital Projects Team to address certain significant control issues mentioned in previous Annual Governance Statements.

74. The Asset Management and Capital Programme Review Board (AMCPRB) was established to perform a strategic gate-keeping role on capital projects and considers their governance arrangements. The Board is chaired by the Director of Resources with membership 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 monitor the programme.

75. The Capital Projects Team has responsibility for the coordination 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 exhibit warning signs that they may deviate from time, cost or quality. The PPS is reported to the AMCPRB at every meeting and regularly to Cabinet. It contains some legacy projects that are being managed in accordance with strategies agreed by Cabinet.

76. All systems benefit from review and monitoring once they have been operational for a period and the capital project management methodology is no exception. Some supplementary guidance notes and revisions have been developed to strengthen processes. However, further development work and embedding is planned arising from a development review undertaken by Audit Services and an internal restructure to strengthen resources within the Capital Projects Team.

Statement by the Leader of the Council and Chief Executive

77. 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
_____
               Leader of the Council

Signed _____   Dated
_____
               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	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.

in place to secure economy, efficiency and effectiveness in the use of resources.				
Inadequate provision of services to the people of Darlington.	External Inspection Agencies	External Inspection Agencies' reports.	External Inspection reports reflected upon in the Internal Audit planning process.	External Inspection reports considered by Cabinet.
Business risk processes inadequate/ineffective	Risk Management and Insurance Section	Risk Management Strategy Corporate/Group Risk Registers. Corporate Risk Management Group and Sub-Group Agendas and Minutes. Officer/Member Training.	Annual Audit Plan developed with reference to Corporate/Group 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, Anti-Money Laundering Policy and Anti-Bribery Policy and Procedures. 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.	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/Council Confidential Reporting Policy approved by Council. Annual Reports to the Audit Committee on the outcomes from the Council's anti-fraud and corruption arrangements.

		Internal Audit/Benefits Enquiry Unit case files.		
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 Xentrall inadequate/ineffective.	Stockton BC Internal Audit	Risk based Annual Internal Audit Plan. Internal Audit reports/opinions and outcomes from consultancy work undertaken.	Joint working protocol agreed between the Internal Audit Services of Stockton and Darlington to cover Xentrall audits. Copies of all relevant Stockton BC Internal Audit Reports on Xentrall forwarded to Darlington Internal Audit for information.	Stockton BC's Annual Audit Plan related to Xentrall considered by the Audit 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	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

		covering awareness, monitoring and review. Six Monthly update reports to the Audit Committee in respect of the application of Corporate Governance within the Authority.		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 the business inadequate.	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 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.
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 on Financial Performance.
Ethical health	Legal Services	Member Code of Conduct.	Legal Services Reports	Members and Officers

arrangements inadequate.		Officer Code of Conduct. Ombudsmen complaints and outcomes. Member/Officer Training.	reflected upon in the audit planning process.	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.