

ANNUAL GOVERNANCE STATEMENT 2012/13

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
Resources Group
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 services and value for money.
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 and potential impact of those risks being 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 2013 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:-
 - (g) Awareness - making sure that everyone who needs to know about the element does know.
 - (h) Monitoring - ensuring that the duty is carried out.
 - (i) 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. The governance arrangements also conform to the requirements of the CIPFA Statement on the role of the Head of Internal Audit in public service organisations.

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) Assistant Director Finance and Human Resources
 - (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 2012 and June 2013 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.

Corporate Planning and Performance Management Framework

17. The focus of the Council's corporate planning process is on delivery of priorities within the Community Strategy, One Darlington Perfectly Placed, and the Council's core functions outlined in its Business Model to champion the interests of citizens and businesses; support strong partnerships to set a vision and direction for the Borough; promote the Borough to secure investment and support; ensure the provision of good quality services; underpinned by good governance and the use of resources.
18. The planning process is zero based and has at its foundation a 'golden thread' which links priorities down from the One Darlington Perfectly Placed Delivery Strategy through to the Council Corporate Plan, then into Service Delivery

Plans/Service Specifications and ultimately individual Personal Development Reviews. A Performance Management Framework (PMF) accompanies the planning regime and is based on a suite of performance indicators with targets and actions relevant to the locally determined outcomes and the needs of customers. The PMF has a clear multi-dimensional reporting process 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.

19. Progress against performance measures targets and outcomes contained within the 2012/13 Plans approved by Cabinet were reported to Cabinet in April 2013. Of the agreed indicators 80% were performing at or above agreed targets and areas of service performing well included Services for Looked After Children, Safeguarding Children and Young People, Adult Social Care and Revenues and Benefits. Areas of service performing less well included Special Educational Needs where measures were being introduced to improve the position on SEN Statements issued within twenty six weeks and Housing Repairs and Maintenance where remedial action was being taken to reduce the period of time taken to complete repairs prior to the re-letting of properties.
20. Positive progress on key actions aligned to One Darlington Perfectly Placed and the Council's core functions was reported to Cabinet in May 2013 when a new suite of actions was approved for 2013/14.

Transformation Programme

21. The Transformation Programme 'Darlington 2015' was established in 2010 to support delivery of the Council's Business Model, the goal being to re-shape the Council into an organisation which continues to serve the people of Darlington well to meet its obligations in relation to One Darlington Perfectly Placed, set against a context of a significant reduction in resources.
22. The Business Model is supported by the design principles that service provision is designed and prioritised on the evidence of need and what works; the Council is a strategic commissioner of services to meet outcomes; the Council's services and Members promote and foster self-reliant and resilient communities; the Council provides consistent, high quality customer service; the Council has the capacity and discretionary leadership to enable transformation; and the Council's organisational form, competencies and values enable the efficient delivery of outcomes.
23. In order to meet the challenges and coordinate delivery the Programme is structured with seven strands each with individual projects. The three service led strands of People, Health and Place; the three cross cutting strands of Organisation Design, Business Operations Improvement and Think Customer; and the underpinning strand to enable change, that of People and Change.
24. The Transformation Programme is managed by the Transformation Board that consists of the Chief Officers Executive, the AD Transformation, the AD Resources and the AD Development and Commissioning. To ensure effective management of the individual strands a Programme Sponsor drawn from the Transformation Board is allocated to each, supported by a 'peer' to add external challenge to the direction

and outcomes, together with a Strand Manager from the Transformation Team. The Transformation Board is supported in its role by the Chief Officers Board which acts as a steering group by reviewing project and strand outputs and providing advice.

25. As reported to Cabinet Members and Scrutiny Chairs in the Transformation Programme Annual Review 2012/13, each of the strands has made significant progress towards realising the design principles. In broad terms the benefits realised include a stronger culture of cost control; a wide range of efficiencies in the core operation of Council functions from Facilities Management to Procurement; a broad understanding of the concept of Darlington Together, which is driving partnership approaches to improving outcomes and demand management; a unified approach to focussing on the Council's key functions and corporate working seen at management level and within political arrangements; and familiarity and enthusiasm for transformation techniques and project management, including the use of Lean.

Value for Money (VFM)

26. The Council's approach to VFM is integrated with the Council's Corporate Planning, PMF, Medium Term Financial Plan and Transformation Programme. The focus is on delivery of priority outcomes for the Borough, the requirement to fulfil statutory duties and consideration of all services at the same time with regard to cost and performance to provide equity in the decision making process.
27. In 2013 the process is to be taken a stage further with a series of public budget challenge sessions, fronted by Cabinet Members in June and July and stakeholder engagement across a range of communication channels including the web and social media. Detailed VFM assessments have been prepared to help inform this budget challenge process. Instead of asking, for example, 'what is the Council going to cut?' the question posed is to be 'the Council will have a budget of £x million, what are the most important things it can do with that resource to achieve the priority outcomes for the Borough?'
28. In assessing VFM the CIPFA VFM Toolkit is the primary source of benchmarking data although other sources are used where the data offers a more robust and/or rounded picture of performance for example the Adult Social Care Outcomes Framework. Note is also taken of the LG Inform database developed by the Local Government Association that enables comparison of 'high level' outcome based metrics for local authorities.
29. Reducing cost and achieving better VFM is a core measure of success for the Council's Transformation Programme. To date, through the Programme and other efficiencies delivered within service groups, the Council has achieved savings of £19.2 million (2013/14 budget reduction compared to 2010/11), more than 80% from changing how services are delivered and/or who delivers services, with the remainder from cutting what services are provided.

Managers' Assurance Statements

30. Annual Managers' Assurance Statements (MAS) are an integral part of the framework that supports production of the Annual Governance Statement.
31. 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 2013.
32. The overall position was positive. The common theme highlighted was the need to adequately test Business Continuity Plans for priority services. This matter is to be addressed by Assistant Directors during the 2013/14 financial year.
33. Other matters raised concerned more specific operational issues to be addressed in certain areas related to changes in duties and responsibilities.

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. This engagement process is to be taken a stage further in 2013 through a series of public budget challenge sessions, as mentioned in paragraph 34 of this Statement, as the Council continues to face a significant financial challenge. The Local Government Finance Settlement for 2013/14 & 2014/15 has given more certainty to the size of the financial reductions that need to be made by the Council, with the cumulative savings required amounting to £17.7M by 2016/17.
36. The current Medium Term Financial Plan (MTFP) for 2013 to 2017 includes detailed plans to achieve savings of £3.0 million and a target for future savings of £14.7 million.
37. 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.
38. 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.
39. 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.

40. 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 in 2013. The Council manages its investments to minimise risk of losses, ensure funds are available when needed and achieve interest income.
41. Governing Bodies have formal responsibility for financial management within schools. A Schools Financial Value Standard (SFVS) has been designed by the Department for Education to assist schools in managing their finances and to give assurance that they have secure financial management in place. The Governing Bodies of each local authority maintained school are required to undertake a self assessment annually against the SFVS and send a copy, signed by the Chair of Governors, to the local authority Finance Division. All returns for 2012/13 have been received and overall they reflect a positive position. Any remedial actions considered necessary are detailed together with an appropriate implementation date. The SFVS returns are used by the local authority to inform their programme of financial assessment and audit.

Counter Fraud

42. The Council's Anti-Fraud and Corruption Strategy reflects a zero tolerance approach and is based on a series of comprehensive and inter-related policies and procedures designed to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts.
43. The counter fraud arrangements are subject to annual review and the outcome of the latest evaluation was reported to the Audit Committee in December 2012. The review included a self assessment against the good practice checklist in the 2012 Audit Commission publication 'Protecting the Public Purse', a summary of reported suspected frauds and whistle blowing cases and the results from the 2010 National Fraud Initiative.
44. The review concluded that the Council's arrangements remain appropriate and fit for purpose when compared to national good practice guidance and that overall the number of reported frauds and whistle blowing cases remains low. However, the Council is not complacent and the position will be kept under review. For example the government published in 2012 the Local Government Fraud Strategy 'Fighting Fraud Locally' and this is to be mapped against the Council's current practices to determine any improvement actions required.

Risk Management

45. 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.
46. 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.

47. The approach to, and the outcomes from, the Council's risk management processes for 2012/13 were reported to the Audit Committee in March 2013. The report detailed generally positive progress upon delivery of action plans to mitigate key risks including those relating to the risk of legal challenge in relation to the Council's decision making and contracting processes, as well as information governance, project management and the transformation agenda, 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 operational risk groups including the pro-active and efficient approach adopted to risk manage the public highways that continues to minimise the Council's liability for compensation claims with approximately 94% successfully repudiated. In addition, it was noted that all services have produced health and safety action plans that identify specific priorities and the Health, Safety and Wellbeing Team are working with managers providing support and assistance to ensure compliance is achieved and that standards are raised across the organisation.

ICT

48. 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.
49. 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.
50. The progress report to the Audit Committee in March 2013 documented positive progress on each of the five key programmes. This included reference that ICT Services are certified to the ISO 27001 Information Security Management and ISO 9001 Quality Management Standards and a comprehensive programme of professional and technical training exists for the ICT Team.
51. As regards the Business Change Programme, a Systems and Information Strategy has been produced. This is to complement the ICT Strategy by ensuring that investment in service based ICT systems is correctly targeted, whereas the ICT Strategy is concerned with corporate systems and underpinning ICT architecture. Development and delivery of the Systems and Information Strategy will be by the Chief Officers Board chaired by the Director of Resources acting as the Systems and Information Group. This Group, in effect, will approve the work programme requested of the ICT Service thereby ensuring that this finite resource is correctly targeted to meet the objectives of the Council as a whole.

Information Governance

52. The Council has an Information Governance Work Programme 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 addressed particular issues such as the transfer of Public Health responsibilities to the Council with effect from 1st April, 2013.
53. 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.
54. The progress report to the Audit Committee in March 2013 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 as a result progress has been gradual. Critical to the effective implementation of the Programme is information risk management, as it identifies and evaluates risks to enable available resources to be used to best effect.
55. 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 baseline assessment had been completed of information sharing practices within the Council that identified information sharing agreements were not in place in a number of services where personal data is shared either internally or with external partners and a work programme was underway to address the issue concentrating on those services that share the most sensitive data; a risk actions toolkit had been developed for use by Heads of Service to support the consistent application of controls identified by the information risk management assessment process across services; and the local transition plan developed to manage the transfer of public health responsibilities to the Council, overseen by the Public Health Transition Reference Group contained an information governance work stream on which the Council's Information Management Team were represented.

Internal Audit

56. The Council's Internal Audit Division operates to the new UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note that came into effect on 1st April, 2013. The PSIAS are broadly consistent with the previous standards defined in the CIPFA Code of Practice for Internal Audit in Local Government.
57. 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. 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.

58. Internal Audit concluded in their Annual Report for 2012/13, reported to the June 2013 Audit Committee, that overall the Council continues to operate within a control environment that is generally sound.

Annual Review of the Effectiveness of the System of Internal Control incorporating the Annual Review of Internal Audit Effectiveness

59. An annual review of the effectiveness of the Council's system of internal control incorporating the annual review of internal audit effectiveness was carried out by a team of senior officers that comprised the Strategy and Performance Manager, the Assistant Director for Housing and Building Services and the Head of Regulatory Services. The findings of the review were considered by the Audit Committee in June 2013.
60. The review team concluded that the Council has an effective system of internal control and an effective internal audit.

Xentrall-Shared Service Partnership

61. 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.
62. The partnership is now half way through its original ten year agreement. It has delivered all the efficiencies and main benefits outlined in the original business case and since the financial position of both Councils has changed significantly since 2008 additional savings were identified that included a comprehensive review of the ICT service in 2010. Xentrall is on target to make £13.6m savings over the agreement period, nearly double the original target, and deliver year on year savings of £2.6m once all the efficiencies are implemented.
63. The internal audit of the partnership is undertaken by Stockton BC and the outcome from the audit work carried out is reported quarterly to the Darlington Audit Committee. The overall position on audit assurance opinions for 2012/13 was positive.

Partnership Working

64. 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 and this included whether the arrangement was a major contributor towards achieving the Community Strategy objectives. The toolkit that comprises an on-line questionnaire is completed by the Council Lead Officer for each partnership.
65. 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 2013.

66. 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.
67. 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.
68. 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.

Standards Committee

69. 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 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.
70. In terms of complaints made that members had broken the Code of Conduct, in 2012 the Assessment Sub Committee dealt with 5 complaints (in 2011 there were 7 complaints). This represents a very low number of complaints given the national average of complaints for unitary councils is around thirteen. In terms of outcomes, only one of those complaints was considered by the Assessment Sub Committee as a matter that ought to be investigated. This related to the conduct of a member of a parish council. He resigned before the complaint moved forward to a hearing and on further assessment it was decided that no further action should be taken.
71. Nationally, as a result of the Localism Act 2011, there were very significant changes in member standards. The strategic regulator in this area, the Standards Board for England was abolished and closed down in April 2012. The national model Code of Conduct was scrapped and local authorities required to adopt their own local Code subject to certain constraints relating to the 'Nolan' principles of public life and pecuniary interests.
72. 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.

73. The Standards Committee invited the newly appointed Independent Person (Joanne Kidd, a local barrister) to the meeting of the Committee in October 2012. Joanne has been involved in the assessment of complaints that have been received since July 2012 and this has worked well in bringing an additional independent layer of scrutiny and viewpoint to the process. The Standards Committee will be keeping under review the Code of Conduct and the revised arrangements for dealing with complaints and will continue their role in promoting high standards of conduct by members.

Efficiency and Resources Scrutiny Committee

74. Scrutiny forms an important part of the Council's governance arrangements by providing independent examination of executive roles. Efficiency and 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.
75. During 2012/13 the Committee had involvement in the annual review of the Medium Term Financial Plan and held a special meeting to consider the draft Plan and made recommendations to Cabinet in February 2013 to inform their deliberations. Efficiency and 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

76. An Annual Audit Letter is 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. The 2011/12 Letter was presented to the Audit Committee in December 2012.
77. The auditors gave an unqualified opinion on the Council's 2011/12 accounts by the target date of 30 September 2012.
78. The external auditors issued an unqualified value for money conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.
79. PwC reviewed the Annual Governance Statement to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to them. They commented that they found no areas of concern in this context.
80. The auditors are also required to report to management and the Audit Committee any deficiencies in internal control identified during their audit. PwC noted that from the audit work performed there had been no significant deficiencies in internal control identified which required reporting to the Audit Committee.

Corporate Peer Challenge

81. Corporate Peer Challenge delivered by the Local Government Association (LGA) is part of the new approach to sector led improvement whereby the knowledge and experience of local government sector colleagues is used to give 'critical friend' challenge to the issues local authorities are dealing with.
82. This Council requested a Peer Challenge that was undertaken in early June 2013 by a Team comprising the Chief Executive of Salford City Council, the Leader of Plymouth City Council, the Chairman of the LGA, a Director from Gateshead Council, the Deputy Chief Executive from Suffolk County Council and a Programme Manager from the LGA.
83. The Challenge process took the form of scoping meetings and conversations, a document and data review prior to the Team being on-site, and then an on-site timetable of interviews, focus groups and conversations.
84. The Team deliberated on the five standard key questions in the process relating to clarity of priorities; financial planning; the effectiveness of political and managerial leadership; the effectiveness of governance and decision-making arrangements; and the focusing of organisational capacity and resources to deliver agreed priorities. In addition, the Team were asked to look at three specific areas to add value to the Council's own improvement process namely the actions already taken to deliver change and drive down costs; test and constructively challenge current plans and proposals; identify any other measures to manage down demand, reduce or deliver services in more cost-effective ways.
85. In their report following the review the Team catalogued numerous successful activities carried out by the Council and commented that it had a reputation as well run; was well placed with a strong local identity well expressed; its success was based on careful, thoughtful development; it punched above its weight; its approach has been successful being pragmatic seeking to exploit opportunities as they arise; and it saw things through to a successful conclusion.
86. The Review Team recognised the level of financial difficulty facing the Council but were clear that this should not fetter its ambition. The issues identified were that the Council needs to consider what it and local public services will look like in Darlington in five or more years and should meet the different challenge by changing its 'well managed, well run Council' approach, move away from pragmatism and opportunism, grasp the leadership opportunity and focus on action.
87. Proposed actions included concluding mature conversations with partners to work out what the Council will look like in five years, developing a community budgeting approach with public sector partners, creating a space for joint visioning and priority setting for senior members and officers, and injecting pace and accountability into delivery.

88. Other suggested specific actions included to set ambitious targets to reduce demand in Social Care, build on the Xentrall shared service partnership arrangement, exploit the desire from the voluntary and community sector to work with the Council, and encourage staff to visit other authorities to look and learn so they can use their creativity to bring solutions to the problems they are facing back in Darlington.
89. The Review Team stated that they believed there was genuine ability within the Council to succeed. A hook line to take the Council forward was 'stop trying to survive and decide to thrive'. This approach would take into account the position of the Council and the challenge it faces but seeks to solve this through innovation and the taking of reasonable risks with all partners and stakeholders in Darlington for the benefit of all.
90. The Council has already begun to reflect on the learning from the report and process and following the public budget challenge sessions is developing its approach to the challenges ahead. This is to be the subject of a further report to Cabinet in the Autumn.
91. This exercise has had huge value for the Council. Preparation for the visit enabled us to stock-take what we have achieved and where our strengths and weaknesses lie. The visit and subsequent feedback offered affirmation of the progress being made, as well as constructive challenge on where we need to improve.


Significant Internal Control Issues

92. In response to certain significant control issues on capital project management mentioned in previous Annual Governance Statements the Council has established a dedicated Capital Projects Team and adopted and embedded a capital project management methodology. Any new significant projects are assigned to the Capital Projects Team for delivery.
93. In addition, 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.
94. 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.
95. All systems benefit from review once they have been operational for a period and recommended improvements to further strengthen the system were implemented following a developmental exercise undertaken by Audit Services in June 2012 and an electronic integrated system for the PPS is under consideration. Audit Services

commented that significant progress had been made on how capital projects and associated risks are managed and this view was shared by PwC following their subsequent review of the system in 2013.

Statement by the Leader of the Council and Chief Executive

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

Signed 
Leader of the Council

Dated 1/10/13

Signed 
Chief Executive

Dated 1/10/13

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		✓		✓		✓

Document/Function	Core Principles of Corporate Governance									
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	✓									✓

Document/Function	Core Principles of Corporate Governance						
Financial Procedure Rules	✓	✓	✓	✓	✓		
Scheme of Delegation		✓				✓	
Complaints Process	✓		✓	✓	✓		✓
Social Inclusion Strategy	✓		✓				✓
Equalities Plan	✓		✓				✓

APPENDIX B

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	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.

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
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 relevant Scrutiny Committee/Cabinet/Council.
Business risk processes inadequate/ineffective	Risk Management and Insurance Section	Risk Management Strategy Corporate/Group Risk Registers, Risk Management Group's 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. 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/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.
Information	Information Security	Corporate Policy Statement on	Information	Corporate Policy Statement

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
governance arrangements inadequate/ineffective.	Section within Xentrall, Legal Services and External Audit.	Information Governance. Employees/Members Guide to Information Security. Information Risk Management process that informs the information governance work programme. COB Agendas/Minutes. Officer/Member Training. Data Quality reflected upon by External Audit in their VFM assessment.	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.	on Information Governance approved by Cabinet. Six-monthly reports to the Audit Committee on progress with implementation of the information governance work programme. 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 covering awareness, monitoring and review.	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	External Audit Report on Grant Claims and Returns

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
			Internal audit.	considered by the Audit Committee.
Health and Safety practices and processes inadequate/ineffective	Health and Safety Unit	Corporate Health and Safety Policy. Heads of Service Health and Safety Management self assessments and action plans. 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 the Audit Committee.
Property management arrangements inadequate	Corporate Landlord Function	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.	Chief Officers Board	Annual signed Assurance Statements from Assistant Directors.	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 documentation.	Project Office function subject to periodic Internal Audit review as part of the cyclical audit process.	Project Position Statement reported regularly to Cabinet.
Partnership	Partnership Lead	Annual Partnership Toolkit	Partnership Governance	Partnership Toolkit

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
governance arrangements inadequate.	Officers	Questionnaires completed by relevant Council Partnership Lead Officers and supporting documentation.	Arrangements subject to periodic Internal Audit review as part of the cyclical audit process.	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.
Financial management authority maintained schools inadequate/ineffective.	School Governing Bodies	Schools annual self assessment returns against the Schools Financial Value Standard (SFVS).	Financial arrangements in schools subject to periodic Internal Audit review as part of the cyclic audit process.	School balances reported to Cabinet quarterly.
Ineffective	Transformation Board	Transformation Board	Internal Audit	Monthly update reports and

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
management of change and transformation.		Agendas/Minutes and supporting documentation.	support/contribute to delivery of the Transformation Programme as relevant.	annual report provided to Cabinet Members and Scrutiny Committee Chairs on the progress and issues associated with the Transformation Programme.
Ineffective challenge to the procurement process.	Procurement Board	Procurement Board Agendas/Minutes and supporting documentation.	Procurement process subject to periodic Internal Audit review as part of the cyclical audit process.	Annual Procurement Plan approved by Cabinet.
Ethical health arrangements inadequate.	Legal Services	Member Code of Conduct. Officer Code of Conduct. Member/Officer Training.	Standards Committee reports reflected upon in the audit planning process.	Members and Officers Codes of Conduct endorsed by Standards Committee and approved by Council. Standards Committee receive reports on ethical indicators.
Lessons not learned from complaints received.	Complaints and Information Governance Team	Corporate Complaints, Compliments and Comments Procedure. Adult Social Care Complaints, Compliments and Comments Procedure. Children's Social Care Complaints Procedure. Complaints Records. Ombudsman complaints and outcomes.	Complaints and Ombudsman reports reflected upon in the audit planning process.	Complaints Procedures approved by Cabinet. Annual report to Cabinet on complaints received and the resultant organisational learning. Regular reports to Cabinet on Ombudsman complaints and outcomes.
Inadequate arrangements for the transfer of the Public	Public Health Transition Reference Group	Public Health Transition Reference Group Agendas/Minutes and supporting	Internal Audit support/contribute to the transition arrangements as	Regular reports to Cabinet and the Shadow Health and Wellbeing Board during the

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
Health function from the NHS to the Council with effect from 1 st April, 2013.		documentation.	relevant. An audit of the transition arrangements was carried out by Internal Audit at the NHS.	transition.
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.

