

ANNUAL GOVERNANCE STATEMENT - 2007/2008

Scope of responsibility

The District of Easington Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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 providing value for money, which is a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, to discharge its functions effectively and by having regard to the management of risk.

The Council approved and adopted a local code of corporate governance, which has recently been revised and is consistent with the principles of the Chartered Institute of Finance Accounts (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework *“Delivering Good Governance in Local Government”*

A copy of the code is on our website at www.easington.gov.uk or can be obtained from the Council Offices, Easington. This statement explains how the Council has complied with the code and meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework includes the systems and processes, culture and values, in terms of how the Council as an accountable body properly conducts its business and how it engages with and leads the community.

It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The system of internal control is a significant part of the 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. The system then evaluates the likelihood of those risks being realised, their impact if realised, and to manage them efficiently, effectively and economically.

The revised governance framework has been in place at the Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

The governance environment

Striving for Excellence in the workplace - Extract from Corporate Plan

The Council worked hard to achieve 'Excellent' status through Audit commission inspection, and is proud of this achievement. We want to continually strive to be better. To achieve this, we need to have the best employees and an effective leadership. We must all be able to perform and ensure that our staff understand the part they play in delivering effective, quality services which meets the community's needs. We also have to make sure that we properly manage our financial resources, making best use of resident's money and keeping council taxes to a minimum.

We believe that an excellent Council is not only one that is well run, but one which carries out its role as a community leader to the full. This means bringing partners together for the good of the district and also advocating for Easington at the County, regional and national level. The leadership team in Easington is committed to playing a full part in regional and national affairs for the benefit of our community.

The key elements of the Council's governance environment are:-

- The District Council has adopted a constitution, which sets out how the council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. This is updated when required during the year and reported to Committee.
- The council has adopted the Leader/Cabinet Model. The Executive Committee is responsible for delivering identifiable, accountable, corporate leadership for the local authority and the people it serves. The facilitation of policy and decision-making is made through the council's Management Team, which meets on a weekly basis, and Scrutiny Committees, which assist the Council and Executive Committee in the development of its budget and the policy framework by in depth analysis of policy issues. Specific procedural rules are in place within the Constitution to govern this.
- Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under delegated authority.
- The Council has a Standards Committee where membership includes representatives from outside the Council.

The committee has a number of roles including promoting and maintaining high standards of conduct for councillors and co-opted members in accordance with the members code of conduct. The Committee also overviews protocols for member/officer relations, employee's code of conduct, the confidential reporting code and the planning code of conduct.

- The Council publishes a forward Plan, which contains details of key decisions to be made by the Council, its Committees and Chief Officers under their delegated powers.
- The Council has adopted a revised "Local Code of Corporate Governance" in accordance with the updated CIPFA/SOLACE Framework for Corporate Governance.
- The Council has robust systems for identifying and evaluating all significant risks, which are developed and maintained with the pro-active participation of all those associated with planning and delivering services. A Risk Register is in place and appropriate Members and Officers have been trained in the assessment, management and monitoring of risks. All new risk implications are included with every report to Committee.
- Through reviews by external auditors, external agencies, Internal Audit, Performance Improvement Teams and Value for Money Teams, the council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised.
- Trained and experienced people deliver services. All posts have a detailed job description and person specification. Training needs are identified through the Welfare and Appraisal Scheme.
- The council has in post a designated qualified Monitoring Officer. It is his function to report on and to ensure compliance with established policies, procedures, laws and regulations.

- The financial management of the council is conducted in accordance with the financial rules set out in Part 4 of the Constitution and with Financial Regulations. The council has designated the Director of Finance and Corporate Services in accordance with Section 151 of the Local Government Act 1972.
- The council has in place a Medium Term Financial Plan for 3 years, which is annually updated and ensures that the budgets are fully integrated and aligned to the council's objectives through its Corporate Plan.
- The council has an agreed programme for managing and improving value for money.
- The council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.
- The council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit and Inspection Letter.
- The council has a performance management framework, which incorporates how we set, intend to deliver and review the council's objectives at all levels. The system is driven by the Corporate Plan, which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee appraisals and action plans. The council's scrutiny committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary, quarterly.
- East Durham Homes (EDH) is a contractual partner with links to the council. The governance structure is laid down in the Articles of Association and Management Agreement agreed with and issued by the District of Easington. This sets out the responsibilities of EDH and its Chief Officers
- EDH had adopted the council's Financial Regulations and Standing Orders, and in 2007/8 under a service level agreement employed the council's Internal Audit Service to carry out their audit work.

Review of Effectiveness

Corporate governance arrangements

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

A detailed recent review was undertaken by a Corporate Governance Group comprising of senior officers and working to an agreed terms of reference. The review was carried out to take account of recent CIPFA/SOLACE guidance where the Council's existing arrangements were scored against the requirements. Areas for improvement were identified and reported.

Within the process the group reviewed the Council's Local Code of Governance, which was duly presented to the Management Team and agreed by the Executive Committee.

Further to the above the process of review and the annual governance statement was reported and considered by the Audit Committee, which has responsibility for ensuring that robust corporate governance, arrangements are in place to provide assurance that business is being conducted effectively and efficiently.

System of internal control

In addition to the above the Council has responsibility for conducting annual reviews of the system of internal control. The review of the effectiveness of the system is informed by the work of the internal auditors and those senior managers within the authority who have responsibility for the development and maintenance of the internal control environment.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

- The Monitoring Officer regularly monitors and reviews how the Constitution operates to ensure that its aims and principles are given full effect.
- During 2007/2008 the council had a Scrutiny Management Board, which comprises of the Chairs and Vice Chairs of the council's three Scrutiny Committees, which meet after the council's Executive Committee to consider whether there are any issues in need of referral to the individual Scrutiny Committees. As a significant partner the scrutiny process considers the performance of East Durham Homes.
- The council has delegated to the Audit Committee the responsibility for reviewing the adequacy of internal controls, monitoring the performance of internal audit, considering the external audit plan, monitoring corporate performance of the Council and considering the governance arrangements.
- The council's Management Team meet weekly to discuss strategic matters together with endorsing individual reports prior to them being considered by the council's relevant Committees.
- The council's internal audit section undertakes the audit of the council and EDH, the latter through a service level agreement. The audits are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Internal Audit Standards with responsibility for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate and annually update, a three-year strategic plan, from which the annual audit plan is developed for approval by the council's Audit Committee.

There are quarterly Internal Audit reports to Audit Committee on the progress of the work carried out by the Audit Section, which summarises the findings and recommendations of each audit.

- The Internal Audit Section is subject to regular inspection by the council's external auditors (Audit Commission).
- The council reviews its Financial Regulations every year.
- The Risk Management Officer provides reports to the Management Team bringing their attention to any significant risks. The council reviews its risks through directorate service plans, which inform the corporate plan. New risks are identified throughout the year in reports to Committee and included on the risk register.
- The council's performance management framework is supported by the operation of performance improvement teams, which focus on key performance results, trends and improvement. Performance reports are issued every three months and are supported by Officer and Member workshops when necessary. Reports are made to:
 - Corporate Support Team
 - Management Team
 - Executive Committee
 - Scrutiny Committees
 - Audit Committee.

- The council was rated as “Excellent” in the comprehensive performance assessment. Follow up reports through the Audit Commission’s Direction of Travel Statement are very positive in relation to performance management, which is now embedded within the council.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Executive Committee, Audit Committee and the Corporate Governance Group, and a plan to address areas identified to ensure continuous improvement is in place.

General

The Audit Commission annually reviews the financial aspects of corporate governance at the council, which includes the work of Internal Audit. In carrying out this work the commission seeks assurances that systems of internal financial control are in place and effective.

In terms of the work carried out by Internal Audit for 2006/2007, they were of the opinion that the council’s key systems are operating soundly and there were no fundamental breakdown in controls resulting in material discrepancies. Satisfactory arrangements are in place to ensure the council’s financial affairs are conducted in an effective, efficient and economic manner.

In saying the above, systems of control cannot provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance. There is an ongoing process in place to identify, evaluate and manage key risks, and these are reflected in the audit plan and are subject to separate reports during the year.

East Durham Homes (EDH)

The business of East Durham Homes is conducted through the EDH Board consisting of district councillors, independent members and tenants. The company is a significant partner of the council and as such is included in this statement.

- EDH is scheduled to undergo a further inspection by the Audit Commissions Housing Inspectorate in 2008/9 to secure additional capital funding to improve the council’s housing stock. They are required to achieve a 2 star rating to access the funding. The previous inspection assessed the Company as fair and an action plan was produced outlining areas, which required further improvement. Some of these areas do affect the corporate governance of EDH.

The action plan is currently being reviewed following an interim review by the Audit commission and this is being supported by the council.

Significant Governance Issues

It is not considered that there are any significant governance issues to address, we do however propose that over the coming year to address those issues of an insignificant nature to further enhance our governance arrangements, and an action plan has been drawn up and can be evidenced.

We are satisfied that these steps will improve our governance and control arrangements and their implementation and operation will be monitored as part of our next annual review.

**LEADER OF THE COUNCIL
DATE**

**CHIEF EXECUTIVE
DATE**

