



Chester-le-Street
District Council

Annual Governance Statement 2008-09



*People
& Place*

Annual Governance Statement

Local Government Re-organisation

This is the last Annual Governance Statement (AGS) prepared for Chester-le-Street District Council prior to handover to the new unitary authority for County Durham. The statement has been prepared a little earlier this year in order to meet the necessary deadlines for submission to Audit Committee and the final meeting of Full Council to be held on 19 March 2009. The Council is very mindful to ensure a smooth transition to the new authority and has taken appropriate steps to maintain a robust governance framework up to and beyond 31 March 2009.

Scope of responsibility

Chester-le-Street District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. Chester-le-Street District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Chester-le-Street District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Chester-le-Street District 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 local code is available on our website at:

www.chester-le-street.gov.uk

or can be obtained from Resources Department, Civic Centre, Newcastle Road, Chester-le-Street, County Durham DH3 3UT

This statement explains how Chester-le-Street District Council has complied with the code and also meets the requirements of regulation 4(2) of 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

Definition:

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

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 Chester-le-Street District Council Policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Chester-le-Street District Council for the year ended **31 March 2009** and supports the Annual Statement of Accounts.

The governance framework

The Council approved a new local code of governance at its meeting held on 28 February 2008. Overall responsibility for the code rests with the Council (as the body responsible for corporate governance) and in particular the Leader of the Council and Chief Executive.

The Corporate Governance Steering Group is responsible for monitoring and providing assurance on the governance process to Corporate Management Team, the Executive and the Council. Current guidance on the functions of audit committees and standards committees requires that they also receive relevant assurances on the effectiveness of the Council's corporate governance arrangements.

The Council operates through a governance framework which brings together an underlying set of legislative requirements, core governance principles and related management processes.

The Council will apply six core principles in performing its key roles and other duties as a Local Authority. These core principles are:-

Principle A	Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
Principle B	Members and officers working together to achieve a common purpose with clearly defined functions and roles.
Principle C	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
Principle D	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
Principle E	Developing the capacity and capability of members and officers to be effective.
Principle F	Engaging with local people and other stakeholders to ensure robust public accountability.

Supporting each of the six principles is a series of supporting principles, each of which in turn translates into a range of specific requirements of the Code. These are outlined within the local code and form the basis of a detailed checklist for managers in completion of their annual assurance statements.

Sources of assurance

Management from across the organisation will provide the primary source of assurance and members need to ensure that there are appropriate assurance gathering arrangements in place to enable those assurances to be mapped against the principles in the framework.

An effective internal audit will also be a significant source of assurance.

Further assurance is provided from a range of external sources including:

- Corporate assessments and direction of travel statements
- Planned and ad-hoc inspections
- External audit (Annual Accounts and Use of Resources)
- Community engagement, compliments and complaints
- Ombudsman reports and findings

Review and reporting arrangements

The Council will undertake regular, at least annual, reviews of their governance arrangements to ensure continuing compliance and such reviews will be reported within the Council to the Audit Committee.

An Annual Governance Statement on the extent to which the Council complies with this Code and how it has monitored the effectiveness of its governance arrangements will be prepared and reported externally and included with the statement of accounts. Action planning and progress is monitored through quarterly corporate performance management reports

To ensure that the process of preparing the governance statement will, in itself, add value to the corporate governance and internal control framework of the Council, the statement will be prepared in accordance to “Delivering Good Governance in Local Government Framework”, published by CIPFA/SOLACE.

Governance Arrangements

The following provides a brief description of the key elements of systems and processes that comprise the authority’s governance arrangements and which address the issues set out in the six core principles:

Principle A: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

A clear statement of the Council’s purpose and vision is set out in its Corporate Plan 2007/2010 as amended by the Transition Plan adopted by the council in

March 2008. This is supported by the councils Medium-Term Financial Strategy. These documents outline the principal priorities for the Council and represent the key strategic planning documents for the Council, from which a number of additional plans are developed in support of it. These include the Performance Plan, the Capital Strategy, the Asset Management Plan, Regeneration Strategy and the Housing Strategy.

The objectives outlined within these Strategies are translated into more specific aims and objectives in the service delivery plans which each Council service is required to prepare annually. Performance against these objectives is monitored by individual services and formally reviewed by the Overview and Scrutiny Management Board to ensure the council's objectives are being met.

Regular and annual satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction with regard to the effectiveness of service delivery. During late 2008 the council worked in partnership with other councils within County Durham to undertake a national 'Place Survey'.

The council has led four Community Partnerships that feed into a Local Strategic Partnership (LSP) within the Chester-le- Street District area. The LSP is known as the District Partnership. The LSP adopted a Sustainable Community Strategy in November 2006, which was the result of a wide consultation with our communities. The District Partnership, which comprises membership of a wide range of organisations across the district, has worked to improve the quality of life for the people who live, work or study in the relevant Community Area.

The Council has a formal performance management framework in place providing links from the corporate objectives of the Authority, the budget and work planning process and the Annual Service Plans. This is clearly set out in the Corporate Plan, and a Transition Plan with a single priority of **'People and Place'** was adopted for the council's final year. The Audit Commission feel that this framework is robust.

As part of the budget cycle, each Service Manager produces a Service Delivery Plan in conjunction with the Council priorities and financial resources. Performance Indicators are set at a national and local level and targets agreed for the coming three years. Once the budgets have been finalised and approved by Committee, employee Personal Development Planning, agreeing individual targets, take place.

Performance against targets is monitored on a quarterly basis by managers and the Management Team, Executive and Overview and Scrutiny Committee, in order that service standards are maintained and corrective action can be taken. Quarterly Performance Clinics drive corporate improvement and improve data quality.

In addition, within the Corporate Plan there is a formal link made between the objectives of the Council and how this will be achieved and measured.

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

Chester-le-Street District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

The main decision making Committees are the Executive Committee and the Planning and Licensing Committees. These are responsible for all relevant matters defined by law and operate within the budget and policy framework approved annually by full Council. The role of the Executive Committees is to develop policies and services within the framework of the Corporate Strategy and Policies, and make key decisions as delegated by the council. Meetings are open to the public except where personal or confidential matters are being discussed. The public have speaking rights at all meetings.

Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution, with clear details of delegated authorities to officers.

All reports are reviewed for legal, financial, data quality, corporate priority, LGR implication and risk considerations as part of the presentation to Members of the Council for formal decision-making. A Report Writing Protocol supports a standard reporting methodology with a consultation process with Directors, the Head of Legal and Democratic Services and the Section 151 officer.

The Executive has agreed a Forward Plan of Work to be completed. Full Council which previously met on a monthly cycle moved to an 8 weekly cycle during 2008/2009. This, together with an appropriate level of delegation to senior managers enables speedy decision making.

The Corporate Management Team of the Council meets on a fortnightly basis and provides the strategic direction of the Council in delivering the requirements of the Members. It also considers other internal control issues, including risk management, performance management, compliances, efficiency, value for money and financial management. An Extended Corporate Management Team meets on a monthly basis to engage all key managers in strategic planning and service delivery.

There is also a robust budget and policy framework and detailed financial regulations, which are monitored by the Section 151 Officer and the Monitoring Officer. The Constitution is updated continually to reflect any changes in structure. The council is strongly committed to high standards of governance. Governance issues is the focus of an officer led working group known as the Corporate Governance Steering Group.

Principle C: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

The behaviour of Officers and Members is regulated through separate Codes of Conduct which have been formally approved and adopted. These Codes are supported by various protocols that apply the principles of the codes to specific areas of Council activity.

In addition the Council has a Standards Committee whose role and functions include:

- Promoting and maintaining high standards of conduct;
- Advising and training Members on the Code of Conduct;
- Monitoring the Code of Conduct
- Reporting to the Council when it considers standards of conduct or behaviour need reviewing;
- Receiving the details of complaints referred to the Authority from the Standards Board for England;
- Reporting to the appropriate Council on the result of any investigation into the standard of conduct of behaviour of a Member;
- Dealing with any issues raised by the Monitoring Officer.

The Council recognises the importance of the principles of Corporate Governance and the need to apply them across all areas of the Authority's corporate activities and this is regularly reviewed against the guidelines issued by CIPFA/SOLACE and the findings are reported to Audit Committee and annually to Full Council.

As well as a Code of Conduct outlining behaviour for Officers, the Head of Paid Services, Chief Financial Officer (as Section 151 Officer) and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for member decision comply with the budget and policy framework and are lawful.

Each Member receives copies of the meeting agendas in advance. As one of the agenda items for each meeting, the Members are required to declare any interests at the outset of the meeting. In addition, Members are encouraged to undertake any training relevant to their area of decision making.

Internal and External Audit work together to review and provide annual opinions of the control framework, governance arrangements and the validity of the annual accounts. The Internal Audit Section operates to standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

The Council has policies to safeguard both itself and its staff when making

decisions. An Anti-Fraud & Corruption Strategy and Whistle Blowing Policy have been developed and communicated to staff and provide clear reporting channels.

The financial management of the Council is conducted in accordance with the financial rules set out within the Constitution and Financial Regulations. The Council has designated the Head of Corporate Finance as Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.

The Council's overall financial arrangements are governed by its Medium Term Financial Strategy, which sets out the financial framework for the delivery of the Council's strategies and plans. In determining the revenue and capital financial framework, a number of factors are taken into account including the national context, the distribution of local government funding from central government along with other local and external funding sources.

The Council has in place a detailed service planning process that feeds into the budget setting system. Service Managers are required to prepare Service Delivery Plans on an annual basis.

This is supported by robust budget setting and monitoring arrangements and detailed financial regulations, which form part of the Constitution. All spending departments are required to monitor their budgets on a monthly basis, in consultation with the Accountancy Team. Spending departments are responsible for their expenditure and income and are directly accountable to Members for budget management.

The Council manages its investments within the guidelines of its Treasury Management Policy Statement and Annual Investment Strategy, which is approved by Members on an annual basis.

The council also demonstrates commitment to high standards of governance through the use of officer and member champions for key areas of governance including Data Quality, Equality and Diversity and Risk Management.

Principle D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Overview and Scrutiny monitor and scrutinise the decisions of the Executive. They can 'call in' a decision which has been made by the Executive but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Executive reconsiders the decision and can insist the matter is referred to Council.

Overview and Scrutiny Committee have responsibility for commissioning and carrying out fundamental service reviews as part of the approach to Best Value. They allow members of the public to have a greater say in Council matters by

holding investigations into issues of local concern. These lead to reports and recommendations which advise the Executive and the Council on its policies, budget and service delivery.

As part of the preparations under LGR, a review of the Scrutiny was undertaken with members leading to a single Overview and Scrutiny Committee for 2008-09 to support delivery of the **'People and Place'** priority. The Audit Commission have taken the view that scrutiny arrangements at Chester-le-Street are 'effective' both in their CPA judgement in June 2007 and in their final Annual Audit and Inspection Letter. The Overview and Scrutiny Committees final Annual report was approved at their final meeting in February 2009.

The Council has a dedicated Audit Committee, the role of which includes a specific responsibility for overseeing the authority's Audit arrangements including delivery of the Internal Audit Plan and scrutiny of the Statement of Accounts and the Annual Governance Statement. This Committee operates within clear terms of reference; it can call managers to explain audit findings and receives regular progress reports on audit related recommendations.

Risk Management is embedded throughout the Council, with an active Risk Management function driven and monitored through the Corporate Governance Steering Group.

The Council has developed a Strategic Risk Implementation Plan which has been designed to identify, prioritise and manage the risks that exist in order to ensure the Council achieves its aims and objectives.

The strategic and operational risks that have been identified have been prioritised through a corporate Risk Register at a strategic level and devolved risk registers within individual service plans. The key risks identified have been assigned to senior managers, who are responsible for ensuring appropriate action plans are developed to address each risk

The Executive receives quarterly corporate performance reports, which include a section detailing progress against the risk management strategy and action plan.

Principle E: Developing the capacity and capability of members and officers to be effective.

As an Authority Chester-le-Street has devoted resources to ensuring the high standards of its staff and has maintained accreditation under the Investors in People Standard. This is a quality framework which ensures that the Council's employees have the right knowledge, skills and motivation to work effectively.

All Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications have been drawn up for all posts to ensure that the best candidates are appointed into each position.

All officers employed by the Council undertake an annual Personal Development Plan meeting which includes a six-monthly review at which performance can be measured against set objectives. Training needs are also identified as part of this process and addressed via the Human Resources service and/or individual service as appropriate.

Chester-le-Street District Council has made a significant commitment towards the training of its staff. This commitment is outlined within the Organisational Development Strategy and the Transition plan. The council develops an Annual Training and Development Plan as a result of workforce planning which is part of the adopted service planning process. A significant corporate budget is set aside annually to ensure that these training needs are met.

The Transition Plan included a commitment from the council to develop a system of Personal Development Profiles to assist staff in taking opportunities within the new unitary council.

The Chief Executive and Leader of the Council have a good working relationship and hold regular meetings to discuss any emerging issues. The Chief Executive also briefs all members with regard to their roles at the time they are sworn in.

There are regular formal meetings between Members and Senior Officers through Executive, Scrutiny and workshops including the quarterly Performance Clinics.

There is a significant amount of training available to Members throughout their term of office. As well as an initial induction programme, significant training is also provided. The council is strongly committed to Member's development and Members have their own personal Development plans with some participating in 360 degree appraisals. The council's investment has been recognised in the award of the Members Charter.

Fundamental to capacity building at Chester-le-Steet has been the use of tried and tested tools and techniques, and in particular Action Learning Sets and Continual Process Improvement.

Principle F: Engaging with local people and other stakeholders to ensure robust public accountability.

Chester-le-Street District Council recognises that communication with all stakeholders plays a fundamental role in the successful delivery of high quality, cost effective services. The council has a significant track record in community engagement.

The Council is constantly striving to improve its communications performance, to build on its track record of continuous improvement and to ensure that the authority as a whole is open and accessible to the community, service users and

staff.

Most recently Chester-le-Street has:

- worked with the communities in Pelton, Pelton Fell, Grange Villa, Sacriston and Edmondsley on community led regeneration projects including village hearts;
- worked with residents at Sacriston to develop a community house and build capacity within the community;
- invested in new technology to ensure that 100% of the services are available electronically ;
- improved telephony and a CRM system to improve first point of contact service;
- introduced an revised a proactive complaints process;
- significantly improved its website to allow electronic service access;
- circulated a quarterly newspaper 'District news' to all residents in the District ;
- worked with residents at Grange Villa, Sacriston and Pelton Fell to develop village websites; and
- introduced a one stop shop reception facility that enables the majority of queries to be answered and problems solved promptly at the initial point of contact.

Chester-le-Street continues to listen to feedback from the local community and to learn from best practice across the country. With this in mind, the Council has developed its Communications Strategy, which has been endorsed wholeheartedly by both Members and Officers. It is based on the LGA reputation agenda. The strategy has been developed with the input of staff, Members and other key stakeholders. In addition, best practice has been explored to ensure that this strategy takes the Council forward to reach the highest standards of communication

The council's priorities have been based on engagement and knowledge of its customers and this was acknowledged in the June 2007 CPA assessment which moved the council from 'poor' to '**good**'.

All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council, should a stakeholder be unable to access it electronically

The Council's Transition Plan and Corporate Plan represents the key document that outlines its vision, objective and priorities for the year ahead, sets performance targets and outlines the Council's accountability to its stakeholders. When identifying objectives for the Corporate Strategy the views of stakeholders are taken into account, in particular through the Local Strategic Partnership and

Community Plan. The Corporate Strategy is made available to Chester-le-Street's stakeholders, ensuring that they are aware of the objectives, goals and performance of the Authority and its programme for securing continuous improvement in its services.

Actions for improvement are drawn from a variety of sources including Comprehensive Performance Assessment; the Council's internal reviews such as Service Inspections, service reviews and scrutiny reviews; external inspections such as those undertaken by the Audit Commission; issues arising from performance management; consultation exercises; and service improvements identified by the Council's compliments, complaints and comments procedure. These improvements are communicated to stakeholders annually through the Corporate Plan.

The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council. Complaints can be made on-line or in writing and the Council has set targets for responding to all complaints received, ensuring accountability to its Stakeholders.

There is a Local Strategic Partnership which has adopted a Sustainable Community Strategy for Chester-le-Street covering the period 2006 to 2016 following priorities:

- A strong sustainable and diverse economic base;
- Inclusive communities;
- Excellent communications networks; and
- An attractive and protected environment.

The Sustainable Community Strategy was created following a significant consultation process with the local communities, ensuring that the views of all areas of the district were taken into account. The four over-arching priorities (detailed above) were identified and more specific targets set. Outputs against these objectives are measured and formally reported to stakeholders through the Local Strategic Partnership.

There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision making process. The council has ensured that it has alerted the new unitary council to its partnership through its 'Handing Over the Baton Report'.

Local Government Re-Organisation:

The council is subject to local government reorganisation and in April 2009 it will cease to exist and will be replaced by a countywide new unitary. The Durham Order came into effect on 28 February 2007 which effectively transfers the District Council functions to Durham County Council on 1 April 2009.

The Council and its officers have contributed a great deal during the past year to the setting up of the new authority, working with colleagues in neighbouring authorities on a variety of work-streams to bring together key services in order to ensure that the unitary council is a success. The Audit Commission have recognised the council's contribution in their final Annual Audit and Inspection Letter.

Review of Effectiveness 2008-09

Chester-le-Street District 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 senior managers within the authority who have responsibility for development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments and recommendations made by the Council's external auditors and other review agencies and inspectorates. The review of the effectiveness for 2008-09 has been completed and the findings are set out below.

Corporate Governance Steering Group

The Corporate Governance Steering Group (CGSG) is charged with the primary responsibility for promoting, coordinating and managing the Council's corporate governance arrangements and producing the Annual Governance Statement. Due to management changes during LGR transition the group membership has been revised and at the time of the annual review comprised:

- Director of Corporate Services (Chair)
- Acting Head of Resources (Vice Chair)
- Head of Legal Services
- Head of Corporate Finance
- Acting Head of Internal Audit

During 2008-09 the group has reviewed the governance framework and developed robust arrangements for production of the AGS as follows:

AGS Timetable	Timeframe
Review of Governance Framework	Oct-Dec 2008
Report to Extended CMT	22 January 2009
Report to Audit Committee – Agree Process and Timetable	22 January 2009
Evidence and Assurance Gathering and Summarising	Jan – Feb 2009
Return of Managers Assurance Statements - deadline	23 February 2009
Annual Review of Internal Audit & Peer Review - deadline	27 February 2009
Preparation of final draft AGS	2 March 2009
Circulation of AGS to Corporate Governance Steering Group	3 March 2009
Report AGS to Audit Committee	12 March 2009
Approval of AGS at Full Council	19 March 2009

In reviewing the effectiveness of governance arrangements during 2008-09 the following key features of the Councils Internal control framework have been considered:

The Authority

The key formal document governing the control framework for the Authority is its Constitution. All delegated decision-making is made in accordance with the requirement of the Constitution and the Scheme of Delegation and it sets out the formal rules governing the way the Council its committees and Officers conduct there business.

The Monitoring Officer and Section 151 officer are included in consultation processes for all reports. Both statutory officers have confirmed that during 2008-09 there were no matters that arose on which they were required to prepare a formal report to Council.

During the year the Council has continued preparations for the creation of a new Unitary Council for County Durham and has taken into account the new statutory arrangements during budget preparation and spending decisions.

The Council has also had to make a number of temporary and interim arrangements in relation to senior management posts during this transitional period and has consulted the External Auditor and the Durham County S151 Officer when appropriate.

The Council places reliance for the development of the Annual Governance Statement (AGS) on the Corporate Governance Steering Group and the work of the Audit Committee. A New Local Code of Corporate Governance and the process for developing the AGS were adopted by Full Council at its meeting held on 28 February 2008.

The Head of Legal Services (the Monitoring Officer) has a duty to monitor and review the constitution and submitted a report to the annual meeting of Full Council held on 29 May 2008 to ensure that it reflected those agreed transitional arrangements for the final year of business.

Council signatories and fidelity guarantee cover have been updated accordingly and actions are being taken to ensure that local arrangements are consolidated within the unitary framework with effect from April 2009.

The Scrutiny Function

Members not on the Executive are charged with keeping an overview of Council business and scrutinizing areas of particular interest or concern, holding the Executive to account in the business they undertake and to assist in the

development and review of Council policies. Overview and Scrutiny Committees are open to members of the public to attend.

As a result of the Local Government Review process, the role of scrutiny was reshaped and refocused to help the Council deliver its single priority of '*People and Place*'. The annual report of Scrutiny for 2008-09 detailed the work undertaken which can be briefly summarized as follows:

Scrutiny used a 'task and finish' approach to deliver on three distinct reviews:

- Review into the future of the market
- Review of the future of the un-parished areas of the Chester-le-Street District
- Review into the marketing of sporting activities for young people

In addition the Overview and Scrutiny Committee:

- Scrutinised Executive Decisions
- Reviewed the Annual Corporate Performance of the Council for 2007/08
- Received evidence from Cestria Homes on their performance
- Scrutinised the performance of the council's recycling contract
- Scrutinised the Council's use of s106 monies

The Audit Commission concluded in their Annual Audit Letter that 'Scrutiny arrangements remained effective'.

The Standards Committee

The Standards Committee met throughout the year and prepared an annual report setting out its work over 2008-09. Matters dealt with during the year included:

- Local Referral System
- Changes to Composition of Standards Committee
- Register of Members

There were no outstanding matters to report.

Internal Audit

The role of Internal Audit is to review the internal control framework that governs the operations of the Council and, in so doing provide an independent opinion to both management and members of the Authority on the robustness of the Council's internal control environment.

The Accounts and Audit regulations 2003 (amended 2006) and subsequent Cipfa Code of Internal Audit Practice 2006 (the Code) requires Internal Audit to report annually to '*those charged with governance*' on their findings and conclusions

and provide an overall opinion on the effectiveness of the internal control environment.

Internal Audit provided its 2008-09 Annual Report, and a Report from a Peer Authority on the effectiveness of the internal audit function as follows:

Report to Corporate Governance Steering Group	12 March 2009
Report to Audit Committee	12 March 2009
Report to Council	19 March 2009

Key points from the Internal Audit Annual Report are that:

- In the review of effectiveness of the Internal Audit section, which is conducted annually and was externally verified by Head of Internal Audit Derwentside District Council, the section was found to be compliant with 9 of the 11 standards in the CIPFA code of practice.
- Based upon their last full review of the section, the Audit Commission were able to place reliance upon the work of section and were satisfied that appropriate constitutional and management arrangements were in place.
- Responses to customer satisfaction surveys and post-audit questionnaires were positive and continue to indicate a confidence in the quality and professionalism of the Internal Audit section.
- Due to staff vacancies during 2008-09, the team has operated below strength pending the consolidation of the Audit resources from across the County. However due to the careful prioritisation of resources, and an increase in productive days, the team completed 96% of the Audit Plan.
- The team achieved 100% success rate in the agreement by managers to audit recommendations.
- The team has contributed to the Audit, Risk and Governance work-stream under LGR to enable advance planning to take place for the new authority.
- Based upon the audit assignments carried out during 2008-09 the internal control environment is considered to have remained effective.
- The Council maintained its score of 3 out of a possible 4 for the Internal Control element under the Use of Resources KLOE.

Action Point	Action Required	Responsibility
Transfer of Assets to New Unitary Authority	Audit of Inventories and other key assets	Internal Audit

Risk Management

The Council has continued to build on its reputation for managing risks effectively. The Corporate Governance Steering Group oversees the risk management strategy and risk management is embedded in the performance management framework through the reporting protocol and the quarterly

performance reports. The significant risks that were managed successfully during 2008-09 included:

- Continued positive direction of travel following CPA 'Good'
- Major progress on Regeneration
- Management of staff vacancies against demands of LGR
- Delivery against Transition Plan and People & Place Priority

The review of the Council's Strategic Risk Profile was timetabled to follow the stock transfer and preparation of the transition plan. Risk Management has continued to be an important element of the council's robust performance management framework during this transitional year. In terms of key strategic risks officer capacity was a key issue during the year with managers leaving to secure their futures and the LGR work programme increasing. Interim arrangements were put in place with regular monitoring at CMT to ensure key deadlines were met and staff support was forthcoming.

In addition to managing the risks of the outgoing authority during 2008-09, an element of support was given to the development of the proposed risk management arrangements for the New Unitary Authority with the production of a new Risk Management Strategy, a consolidated risk register, and a draft work-plan for 2009-10.

A key risk going forward is the potential loss of local knowledge and expertise through changes in senior officers from the Districts. The Council has taken a number of steps to mitigate this risk including the development of the **'Handing over the baton'** report for the new authority and other stakeholders.

Business Continuity Plans

The Council has an approved Business Continuity Plan which is kept under review with the support of the Durham & Darlington Civil Contingencies Unit. The Council will ensure that appropriate records and procedures are carried over to the new authority to safeguard continuity of service during the period of transition until revised plans are developed through the new Heads of Service.

Action Point	Action Required	Responsibility
Review Business Continuity Plans	A review to be conducted in 2009-10	New Heads of Service

Data Quality

The council first adopted a Data Quality Policy in April 2007 following which significant progress has been reported. The strategy was subsequently reviewed leading to a new strategy approved in March 2008. The Audit Commission has reviewed the Data Quality arrangements and this has shown that the council has continued to improve in this area.

Financial Management

The Council has maintained strong financial management during its last year of existence and in particular:

- Regular budget forecasts have been received by the Executive, the last of which, reported on 2 March 2009, showed a positive revenue position
- Capital working group has met and managed capital resources effectively
- Approval was gained for closure of the HRA
- Officers have provided detailed financial information and support to the LGR Finance Work-stream to assist the County Council
- The Protocol has been adhered to for 'Business as Usual' requests
- Revised appropriate arrangements have been put in place for financial matters including all payments and receipts with effect from 1 April 2009.

Whilst the Use of Resources score for Financial Management did fall, the Audit Commission concluded on the accounts that 'despite this an unqualified opinion was issued along with an unqualified conclusion on arrangements for securing value for money'.

Partnership Working

The Council approved a Partnership Strategy in November 2006 and a corporate partnership register is maintained centrally. The importance of our partnerships had a significant impact on the development of a single priority for 2008-09 of **'People and Place'**.

This was reflected through the **Strengthening Partnerships** Action Learning Set, which involved working with key partnerships within the area to ensure they are best placed to have sustainable futures. The Council had worked to support the community and voluntary sector to help them sustain their network and has undertaken a community cohesion project in the villages of Pelton Fell, Sacriston and Grange Villa building capacity and self sufficiency.

Partnership working will form a key element of the Councils 'Handing over the Baton' report

Action Point	Action Required	Responsibility
Build details of Partnership Working into the HOB Report	Construct report and carry out internal consultation including Executive	Director of Corporate Services
Agree Report	Present Final Report	Director of Corporate Services
Submit to new Unitary	Undertake presentation	Chief Executive

Equality & Diversity

The Council continued to demonstrate its commitment to equality and diversity through its policies and strategies, including in 2008-09:

- officer leadership to the relevant LGR work-stream
- chairing of the Durham Equalities & Diversity Partnership
- The Raising the Flag event held on 17 September 2008 for the Paralympics 2012
- And the 'It's a knockout' community event

External Audit Reports

During 2008-09 the Council's External Auditors undertook a number of reviews and assessments. These included the following:

- Access to Services – this inspection took place across all eight authorities in County Durham and was published in July 2008. There were some positive findings on strong customer service and local knowledge. Whilst there were no judgments for individual Councils, areas for further development were highlighted.
- Value for Money -the Council continued to develop its arrangements to secure value for money. The Audit commission concluded that VFM was adequate, that there was a strong commitment to VFM and that the Council had continued to deliver on efficiency targets.
- Use of Resources – it is disappointing that the Council's Use of Resources score has reduced in its final year from 3 (out of a possible 4) to an overall score of 2. However, as the Audit Commission point out, much larger Councils would have struggled to maintain the previous score in the light of the challenges faced, with stock transfer and Local Government re-organisation.
- Managing Absence -A review of sickness was conducted across Durham and Tees Valley with the final report issued in May 2008. A number of areas of good practice were highlighted and the findings were supported locally through the work of an Action Learning Set on this issue. The lessons will be shared with the new Unitary Authority.
- The Audit Commission submitted its Annual Audit and Inspection letter to the Council in early March 2009. This provides an overall summary of the Audit Commission's assessment of the Council. The letter provides some very positive messages about the Council's progress over recent years and will be reported to Full Council on 19 March 2009.

Action Point	Action Required	Responsibility
Audit Commission recommendations for transitional arrangements	To maintain robust service arrangements in line with the Transition Plan	All Service Managers

Other Assurance Indicators

There are a wide number of additional 'good health' indicators that support the view that the Council has developed sound governance arrangements these include:

- The Council has met its efficiency targets producing forward and backward look returns within the required timetable.
- The Councils procurement strategy was managed through the Procurement Strategy Network in partnership with neighbouring authorities.
- Over 40% of performance indicators remain in the best 25% nationally
- Following the transfer of the housing stock in the last quarter of 2007-08, outstanding matters were managed effectively throughout 2008-09.
- The town centre master plan was completed
- A range of environmental awards and successes were achieved
- The IT Service Team retained their charter-mark status
- Government energy efficiency targets exceeded
- During the year, 5 Ombudsmen complaints were received with 1 upheld and all were responded within target. The most recent Ombudsman Annual Report dated June 2008, was favourable
- The last RIPA report by the Office of Surveillance Commissioners was also made in 2008 and again this is extremely positive
- During 2008-09 sickness absence levels within the council showed some further improvement despite the additional demands of LGR

Managers Assurance Statements

As part of the system of review of effectiveness, heads of service are required to complete an annual assurance statement for their areas of activity. All relevant managers have provided a signed statement together with any action points they may have identified. These statements form part of the key evidence to the AGS and issues reported this year mainly centered around LGR transition and include the following:-

- Maintaining performance post vesting day including internal control
- Interim decision making and staffing issues
- Information and knowledge transfer
- Clarity on budgets and spending under the new authority
- Vulnerability of various income streams due to economic downturn
- Final accounts closure for 2008-09

Managers are working with the new authority so that robust plans are in place to deal with those issues raised.

In their Annual Audit Letter for 2008-09 the Audit Commission conclude:

‘Strong leadership and commitment from staff have resulted in a significant cultural change within the Council over recent years. Staff have been empowered through the ‘one team’ ethos and have contributed to improved access to services’

It is the intention of the Council to carry forward the principles of good governance through members and officers who will serve the new Unitary Authority.

We are satisfied that this final governance review has been conducted in accordance with our Local Code of Governance. We propose to bring matters highlighted within this statement to the attention of the Unitary Authority so that steps may be taken to address any areas for improvement.

Signed	Signed
Linda Ebbatson Leader of The Council	Roy Templeman Chief Executive
Dated	Dated