

Report to: **Audit and Best Value Scrutiny Committee**

Date: **12 June 2007**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Review of the Assessment of the Corporate Governance Framework and Corporate Assurance Statement for 2006-07**

Purpose of report: **To consider the Monitoring Officer's draft report to the Governance Committee giving the Annual Assessment of the Corporate Governance Framework and Corporate Assurance Statement for 2006-07 in line with the responsibilities set out in its terms of reference**

RECOMMENDATIONS: The Committee is asked to:

- (i) note the draft report to the Governance Committee and its appendices;**
 - (ii) confirm whether there are any changes to the report that the Committee wishes to recommend to the Governance Committee**
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1. Financial Appraisal

1.1 There are no direct financial implications arising from this report

2. Supporting Information

2.1 Under its terms of reference, it is the role of this Committee to:

“To review the Council's assurance statements, including the Statement of Internal Control (SIC), ensuring that they properly reflect the risk environment, and any actions required to improve it”

It is the role of the Governance Committee to approve the Council's corporate assurance statement (which meets the requirements for the SIC).

2.2 The Council publishes its corporate assurance statement which meets the requirements of the SIC as part of the statement of accounts. It is also reported separately to Governance Committee as part of the Monitoring Officer's Annual Assessment of the Corporate Governance Framework. The draft report is attached as an appendix. which. In reviewing the corporate assurance statement and the Monitoring Officer's report, Members should consider whether they properly reflect the Council's risk and internal control environment, and whether the improvements set out in the action plan address any weaknesses identified in the Council's governance arrangements.

SEAN NOLAN
Deputy Chief Executive and Director of Corporate Resources

Contact Officer Duncan Savage Tel: 01273 482330

Committee: **Governance Committee**

Date: **26 June 2007**

Title of report: **Assessment of the Corporate Governance Framework for 2006-07**

By: **Director of Law and Personnel**

Purpose of report: **To (1) provide information on compliance with the Council's code of corporate governance and any changes to it that may be necessary to maintain it and ensure its effectiveness in practice; and (2) gain approval of the Council's corporate assurance statement in compliance with the requirements of the Accounts and Audit Regulations 2006 in relation to statements of internal control.**

RECOMMENDATIONS:

- **To note the action taken over the last twelve months to address the issues in last year's action plan and to approve the action plan for the next year;**
 - **To confirm that Members are satisfied with the level of assurance provided to them through this report and the Council's governance framework and processes;**
 - **To note any concerns raised by the Audit and Best Value Scrutiny Committee from its meeting on the 12 June;**
 - **To identify any significant control issues that should be included in the Council's corporate assurance statement; and**
 - **To approve the corporate assurance statement for signature by the Leader and the Chief Executive and publication within the Statement of Accounts.**
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1. Financial Implications

1.1 There are no direct financial implications arising from this report. Officer time will be required to achieve the improvements identified in the Corporate Assurance Statement to be issued.

2. Supporting Information

2.1 Since 2002/03 the Council has published a Corporate Assurance Statement, signed by the Lead Member and the Chief Executive, as part of its Statement of Accounts and in line with best practice on corporate governance as set out by CIPFA/SOLACE.

2.2 The Accounts and Audit Regulations 2006 require the Council to ensure that it has in place a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for risk management. The Council is required to conduct an annual review of the effectiveness of its system of internal control and to include a statement on internal control (SIC), prepared in accordance with proper practice, in its Statement of Accounts. The Council's Corporate Assurance Statement has met the mandatory requirements of the Guidance on proper practice since that published for 2003/04.

2.3 The production of a Statement of Internal Control is the final stage of an ongoing process of review of internal control. In summary the process must involve an organisation:

- reviewing the adequacy of its governance arrangements;
- An action plan for improving those arrangements, and
- Communication to users and stakeholders raising understanding of how better governance leads to better quality public services.

3. Assessment of the Corporate Governance Framework for 2006-07

3.1 The Council's corporate governance framework is underpinned by a number of key documents and processes. These are summarised in section 4 of the corporate assurance statement (Appendix 5).

3.2 The main policies and strategies that make up the Council's corporate governance framework have previously been identified and are set out in the corporate governance "map" attached as Appendix 1 to this report and included in the Corporate Governance Policy and Operational Framework. Minor amendments have been made to the map, although no major changes are planned pending the revision of the corporate governance guidance from CIPFA/SOLACE referred to later in this report.

3.3 Following an assessment of the corporate governance framework for 2005-06 an improvement plan was put in place and a summary of the action taken is attached as Appendix 2.

3.4 The Monitoring Officer, supported by the Corporate Governance Group has now undertaken a review of the Council's governance arrangements, including internal control, for 2006/07. This review process is summarised in Appendix 3. As part of this process, an officer has been identified to take responsibility for each document or process in the framework and they have been required to provide an assurance as to whether the document is being complied with (including evidence), the level of awareness of the document amongst staff and stakeholders, whether it reflects Council policy and best practice and arrangements for reviewing it.

3.5 This exercise has demonstrated that most of the documents and processes included in the framework are being complied with, are up to date and that there are arrangements for regular review. There are some areas, however, where further improvements are scheduled and these are set out in an action plan for 2007/08 in Appendix 4.

3.6 In addition the Monitoring Officer has required that all Chief Officers sign their own Directorate Assurance Statement, using a corporately agreed format, confirming that a sound system of internal control is in place within their department and that any major areas for improvement are included in their business plans. They are also asked to identify any exceptions and any actions being taken to address them. These statements have been reviewed as part of the assurance gathering process.

3.7 The overall Corporate Governance assessment and review of effectiveness has also been informed by the sources of assurance set out in section 3 of the corporate assurance statement (Appendix 5). As part of the assurance gathering process, the Corporate Governance Group also took account of:

- additional guidance published during the year in particular the Audit Commission's revisions to the CPA Use of Resources criteria for 2006 and the work being carried out to review the CIPFA / SOLACE guidance on corporate governance; and
- a review of the Council's Corporate Governance carried out by internal audit which concluded that the arrangements in place were Good. but also made a number of recommendations for improvements..

3.8 On the basis of the information supplied, it is clear that the Council continues to have in place good arrangements for corporate governance and that they are working effectively. The issues highlighted in Appendix 4 should, however, be addressed over the next year to further enhance arrangements.

3.9 This report and action plan, along with the Corporate Assurance Statement and all the main sources of assurance will be available for members on the intranet.

4. Corporate Assurance Statement

4.1 A Corporate Assurance Statement from the Leader of the Council and the Chief Executive is included at Appendix 5. It includes the mandatory disclosure of any significant internal control issues identified through the Council's governance and internal control arrangements.

4.2 During the year, Audit and Best Value Scrutiny Committee has continued to monitor and review the Council's internal control and risk management arrangements and this report will be updated to include any issues raised from their review of the Annual Audit and Inspection Letter and Annual Internal Audit Report at their meeting on 12 June.

4.3 Effective Corporate Governance is crucial for the assessment of effectiveness of the Council providing leadership, direction and control. The measurement of effective governance is complex and it is important that members are aware of the documents and activities that work together to provide assurances that the Council has effective Governance measures in place. .

ANDREW OGDEN
Director of Law and Personnel

Contact officer: Mary Clarke, Head of Democratic Services (01273 481587)

BACKGROUND DOCUMENTS

Proformas returned by document "owners" setting out advising on whether the various codes, policies and strategies are being complied with.

Corporate Governance Policy Statement

Corporate Governance Operational Framework Document

Community Focus	Service Delivery Arrangement	Structure and Processes	Risk Management & Internal Control	Standards of Conduct
Council Plan	Reconciling Policy and Resources	Constitution	Risk Management Strategy	Anti Fraud and Corruption Strategy
'Pride of Place' Community Strategy	Public Service Agreement	Scheme for Access of Information	Financial Regulations & Standard Financial Procedures	'Whistleblowing' Policy
Community Safety Strategy	Project Management Toolkit	Freedom of Information policy	Standing Orders on Contracts	Code of Conduct for Employees in relation to Contractors
Local Strategic Partnerships	Corporate Performance Management Statement	Scheme of Delegation	Tendering and Contracting Procedures	Code of Conduct for Members and Guidance on Interests
Communication Strategy	Partnerships Guidance	Employee Policies and Practices	Consultancy Code	Code of Conduct for Employees
Local Area Agreement		Directorate Assurance Statements	Statement of Accounts	Code on Member/ Officer Relations
			Annual Internal Audit Report	Corporate Complaints Policy
			Corporate Email Policy	Data Protection Guide 2000 for Employees
			Guidance on Operational Risk Assessment	Intellectual Property Guidance
			Software Licensing Guidance to Staff	Position of members in relation to outside organisations
			IT Security Policies	Anti-money laundering policy
			Health and Safety Strategy	

Departmental Processes and Procedures

External Audit and Inspection

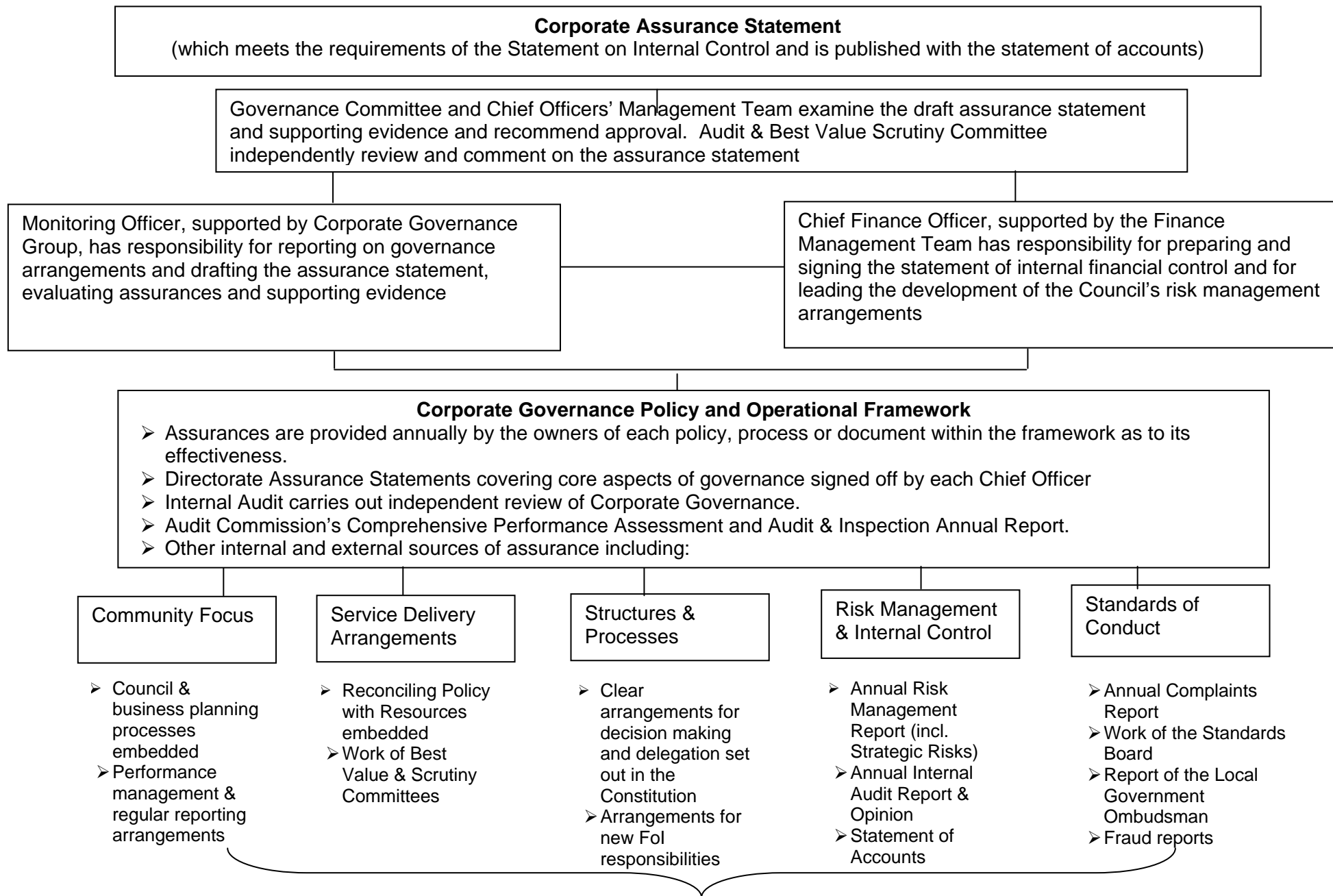
Progress against 2006/07 action plan

Improvement area	Target	Progress to date
<p>Corporate Governance Framework</p>	<p>To review the Corporate Governance Framework subject to the guidance being received from CIPFA/SOLACE</p>	<p>CIPFA / SOLACE issued a draft of the new guidance which the Corporate Governance Group reviewed, and agreed not to respond to the consultation which ended early September. The group are still awaiting the outcomes/ revised draft from CIPFA / SOLACE</p>
<p>Business Continuity Planning</p>	<p>Corporate Business Continuity Plan to be agreed by end of June 2006 and embed the Business Continuity culture in to the organisation, through a variety of communications measures, by June 2007.</p>	<p>The Corporate Business Continuity Plan has been agreed and is now published on the web site.</p> <p>Departmental Business Continuity plans are still being developed, and an exercise is being planned for June 2007 to validate them. Work has been commenced, through the Procurement Steering Group and contract managers, to incorporate Business Continuity into corporate contracts.</p> <p>Discussions are under way with other Sussex local authorities to identify appropriate ways to further promote Business Continuity into the wider community.</p> <p>Budget provision has been made to deal with ICT issues in relation to Business Continuity. A one-off budget provision has been made for the current year of £200K and the base budget has been increased by £100K. This will mean that provision will be made for all ICT systems to be maintained in an emergency.</p>
<p>Review of Constitution</p>	<p>Format of Constitution to be reviewed to provide immediate updates electronically.</p> <p>Constitution will be regularly revised in consultation with the County Council and the Governance Committee</p>	<p>Financial regulations have now been reviewed and agreed by the Governance Committee and the County Council.</p> <p>The handbook and website have been updated with all changes recommended by the Governance Committee and agreed by the County Council throughout the year. The Constitution is now available on line and updated immediately any changes are agreed.</p>

<p>'Pride of Place' The East Sussex Community Strategy</p>	<p>To completely review the Strategy in Autumn 2006 following Government Guidance due later in the year. The review will be undertaken jointly with the District and Borough Community Strategies to develop a joined up approach across the County.</p>	<p>The Community Strategy Review was introduced at the meeting of the East Sussex Assembly on 11 October. That meeting looked at some key issues that should be considered as part of the Review. The substantive work, however, has been delayed because the Government Guidance on "Sustainable Community Strategies" has not yet been published. It is still intended that the Review is undertaken jointly with the District and Borough Community Strategies in spring 2007. A revised integrated strategy will be published in April 2008.</p>
<p>Communication of corporate governance framework</p>	<p>To continue to implement a communication plan raise Council-wide awareness of the corporate governance framework including the development of an e-learning package for ethical standards and to improve involvement in delivering the actions identified including an on-line learning package for all staff.</p>	<p>The Standards of Behaviour ethical standards e-learning package which covers key governance policies including the Employee Code of Conduct, Confidential Reporting, Anti Fraud and Corruption Policies is now complete and is due to be launched in June 2007.</p>
<p>Declaration of interests and gifts and hospitality</p>	<p>Corporate Governance Group to review all registers of gifts and hospitality and registers of declarations of interest quarterly to ensure consistency and appropriateness</p>	<p>The Monitoring Officer has reviewed all gifts and hospitality declarations made by departments to ensure appropriateness and consistency of approach during the 2006-07 financial year.</p> <p>In September all staff were requested to update their declaration of interest forms. The Monitoring Officer reviewed all positive declarations of interest made and subsequent actions taken.</p> <p>Further guidance and reminders have been issued to all staff during the year.</p>

<p>Induction</p>	<p>Improvement of induction process to include raised awareness of decision-making structure and Governance requirements</p>	<p>The e-learning induction package was launched on the 1 February. Further activities are planned through the Investors in People development programme to improve the face to face contact between senior managers and staff.</p> <p>A 'Working in a Political Environment' training programme for staff has been implemented and is receiving excellent feedback.</p>
<p>Code of Conduct for Members</p>	<p>The Code of Conduct for Members will be reviewed subject to guidance being received from the Standards Board for England.</p>	<p>The revised Code of Conduct for elected members was agreed by Parliament on the 3 May. The Standards Board will be meeting in June to agree a training programme before the County Council is asked to adopt the new code at its meeting on the 24 July.</p>
<p>Project Management Guidelines</p>	<p>To review the project management guidelines and provide training for staff and members</p>	<p>The new project management guidelines and intranet site have now been launched.</p> <p>Training providers were appointed and worked up a training programme which was piloted with the Excellence in Project Management project group.</p> <p>Training for project sponsors and board members started in January 2007 and has been very positively received with excellent feedback. Project manager training is now also being provided, again with excellent feedback. This training will continue throughout 2007 and be kept under review. Potential training providers are being selected and it is anticipated that training will commence before Christmas. The actual training will depend upon the applicant's role/s i.e. 'professional' project manager, 'general manager' managing a project or project sponsor or project board member.</p>

ESCC Framework for the Statement on Internal Control



All of these sources provide assurance on the adequacy and effectiveness of our controls over key risks

Action Plan 2007/08

Improvement area	Target
Corporate Governance Framework	To review the Corporate Governance Framework subject to the guidance being received from CIPFA/SOLACE
Business Continuity Planning	<p>To embed the Business Continuity culture in to the organisation, through a variety of communications measures, by June 2007.</p> <p>To liaise with other Sussex local authorities to identify appropriate ways to further promote Business Continuity into the wider community.</p>
'Pride of Place' The East Sussex Community Strategy	Develop a new sustainable community strategy in partnership with others including the borough and district councils
Communication of corporate governance framework	To launch the e-learning package for ethical standards in June 2007 and to improve involvement in delivering the actions identified by all staff.
Induction	<p>Improvement of induction process to include raised awareness of decision-making structure and Governance requirements.</p> <p>80% of new employees completing the on-line induction package</p>
Code of Conduct for Members	<p>To implement Government changes to the Code of Conduct for Councillors through the presentation of the revised code of Conduct to the Standards Committee in June 2007 and seeking formal adoption by the County Council in 2007.</p> <p>To provide members with training on the new code.</p>
Complaints	To review the management and procedures for corporate complaints handling in line with the customer focus framework
Communications	Develop an Internal Communications Strategy to ensure the consistent communication of corporate information to staff, and to support departmental information-sharing processes.
Review of Members on Outside Bodies	<p>Update and review the information held about members of outside bodies</p> <p>In light of the review, consider levels of support, information and training required by members to undertake their roles effectively.</p>

Review of Anti-Fraud and Corruption Policy Review	To review and update the Anti-Fraud and Corruption Review To refresh the Whistleblowing policy and increase staff awareness of the policy.
Risk Management	Review the council's Risk Management Strategy and policy and procedures to ensure that the council's strategy to address risk is appropriate to address the risks faced by the council.

East Sussex County Council
Corporate statement of assurance for the year ended 31 March 2007

1. Scope of responsibility

East Sussex County 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 County 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. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the County Council's affairs and the stewardship of the resources at its disposal. To this end, East Sussex County Council has approved and adopted a code of corporate governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. A copy of the code is on our website at www.eastsussexcc.gov.uk or can be obtained from the Council's Monitoring Officer. The County Council's arrangements for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which include arrangements for the management of risk are a fundamental element of our governance framework.

2. Purpose of governance and internal control frameworks

The code of corporate governance can provide only reasonable and not absolute assurance that an authority directs and controls its functions and relates to the community that it serves in accordance with the principles of openness, inclusivity, integrity, accountability and leadership. Equally the County Council's system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve our policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The code of corporate governance and system of internal control has been in place at East Sussex County Council for the year ended 31 March 2007 and up to the date of the approval of the statement of accounts.

3. Review of effectiveness

East Sussex County Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:

- the work of Members through the Cabinet, Committees including Audit and Best Value Scrutiny Committee and the full Council
- the work of Chief Officers and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment
- the work of the Deputy Chief Executive and Director of Corporate Resources (as Chief Financial Officer) and the Financial Management Team and the Statement of Internal Financial Control
- the work of the Monitoring Officer and the Corporate Governance Group
- the annual risk management report and periodic review of strategic risks conducted by Chief Officers
- the work of the internal audit service including their annual report and opinion
- the external auditors in their audit and inspection annual letter and annual governance report
- the Audit Commission's Comprehensive Performance Assessment where the Council's governance and internal control arrangements continue to be rated as 3 out of 4 against the new higher standards
- the judgements of a range of external inspection and other statutory bodies including the Local Government Ombudsman and the Standards Board for England

4. Key elements of the governance and internal control environments

The governance arrangements and system of internal control put in place by the County Council include:

- the Council's constitution which sets out clear arrangements for decision making and the delegation of powers to officers and Members;
- clear arrangements for scrutiny and best value;
- an established medium term planning process including the process for reconciling policy priorities with financial resources;
- a clear business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
- regular reporting of performance against the Council's key objectives, as set out in the Council Plan, to officers and Members;
- a risk management strategy and detailed risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;
- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
- a clear framework for financial governance based on Contract Standing Orders, Financial Regulations and Standard Financial Procedures;
- financial management structures which promote ownership of financial issues within service departments;
- a clear framework for project management for all types of project;
- codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
- policies for ICT security, access to information and data protection;
- personnel policies and procedures, and;
- established arrangements for dealing with complaints and whistle-blowing, and combating fraud and corruption.

5. Assurance and Disclosure of Significant Internal Control Issues

No assurance can ever be absolute; however this opinion seeks to provide a reasonable assurance that there are no significant weaknesses in the County Council's governance arrangements and its system of internal control. On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the County Council has in place satisfactory governance arrangements and a satisfactory system of internal control both of which are operating effectively.

As part of our review, we are required to identify and disclose any gaps in assurance over principal risks and any significant internal control issues. No such gaps in assurance or significant control issues have been identified.

The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process. In particular, the Council will continue to monitor risks in relation to:

- ✧ The overall challenge of reconciling and sustaining our improvement agenda and policy priorities within a challenging financial environment;
- ✧ The management of generically risky and volatile demand led budget areas;
- ✧ The delivery of Adult Social Care services in the context of structural change and financial pressures within the local health economy, progress in modernising services in line with the action plan agreed with the Audit Commission, and the delivery of the Business Transformation Programme;
- ✧ Improving our performance in waste management through our joint waste management service contract.

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively and meet changing legislative needs, reflect best practice and our intention to achieve excellence in all our activities. The Council has identified a number of areas where it wishes to enhance its governance arrangements and actions plans are in place to address these.

Cllr Peter Jones, Leader
Cheryl Miller, Chief Executive
29 June 2006