Report to:	**Audit, Best Value and Community Services Scrutiny Committee**
Date:	**1 June 2010**
By:	**Monitoring Officer**
Title of report:	**Assessment of the Corporate Governance Framework and Corporate Assurance Statement for 2010-11**
Purpose of report:	**To consider the Monitoring Officer's draft report to the Governance Committee given the Annual Assessment of the Corporate Governance Framework and Corporate Assurance Statement for 2009-10 in line with the responsibilities set out in its terms of reference**

RECOMMENDATIONS: The Committee is asked to

1.   note the report to the Governance Committee and its appendices; and

2.   confirm whether there are any changes to the report that the Committee wishes to recommend to the Governance Committee.

---

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 Annual Governance Statement, ensuring that they properly reflect the risk environment, and any actions required to improve it."

2.2   The Council publishes its Annual Governance Statement (AGS) which meets the requirements of the Statement of Internal Control (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.

2.3   The Governance Committee report is attached as an appendix and can be updated further to include any issues raised at this meeting. In reviewing the AGS 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 indentified in the Council's governance arrangements.

PHILIP BAKER
Monitoring Officer

Contact Officer: Duncan Savage   Tel No. 01273 482330

Local Member: All

BACKGROUND DOCUMENTS
 None

Committee:	**Governance Committee**
Date:	**5 July 2011**
Title of report:	**Assessment of the Corporate Governance Framework for 2010-11**
By:	**Monitoring Officer**
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 Annual Governance Statement in compliance with the requirements of the Accounts and Audit Regulations 2011.**

RECOMMENDATIONS: The Committee is recommended 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;**
- **confirm that Members are satisfied with the level of assurance provided to them through this report and the Council's governance framework and processes;**
- **note any concerns raised by the Audit and Best Value Scrutiny Committee members;**
- **identify any significant governance issues that should be included in the Council's Annual Governance statement; and**
- **approve the Annual Governance Statement for signature by the Leader and the Chief Executive and publication within the Statement of Accounts.**

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 Annual Governance Statement and the attached action plan.

2.   Supporting Information

2.1   The Corporate Governance framework reflects both legislative and regulatory change and is based on revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Chief Executives and Senior Managers (SOLACE).

2.2   The Accounts and Audit Regulations 2011 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 prepare an annual governance statement in accordance with proper practices in relation to internal control to accompany its Statement of Accounts.

2.3   The production of an Annual Governance Statement is the final stage of an ongoing process of review of our governance arrangements including risk management and internal control. In summary the process must involve an organisation reviewing the adequacy of its governance arrangements, developing an action plan for improving those arrangements and communicating the framework to users and stakeholders.

2.4   This report will be discussed by Audit, Best Value and Community Services Committee members when it meets on 1 June 2011 and any comments will be reported to Governance Committee.

3.   Assessment of the Corporate Governance Framework for 2010-11

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 Annual Governance Statement (Appendix 5).

3.2   The main policies and strategies that make up the Council's corporate governance framework are set out in the Local Code and are attached as Appendix 1 to this report.

3.3   Following an assessment of the corporate governance framework for 2009-10 an improvement plan was put in place and a summary of the action taken is attached as Appendix 2.

3.4   The Monitoring Officer has undertaken a review of the Council's governance arrangements for 2010/11. This review process is summarised in Appendix 3. Each document or process in the framework has been assessed and named officers have been required to provide an assurance as to whether the document is being complied with, the level of awareness of the document amongst staff and stakeholders, whether it reflects Council policy and best practice, and arrangements for reviewing it. Where further improvements are identified these are set out in an action plan for 2011/12 in Appendix 4.

3.5   In addition all Chief Officers have signed their own Directorate Assurance Statement confirming that proper governance arrangements, effective risk management and a sound system of internal control are in place within their department. They are also asked to identify any exceptions and any actions being taken to address them.

3.6   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 Annual Governance Statement (Appendix 5). As part of the assurance gathering process, the Corporate Governance Group also took account of the CIPFA/SOLACE guidance on corporate governance which is reflected in the Local Code.

3.7   Evidence shows that the Council continues to have in place good arrangements for corporate governance and that they are working effectively.

4.   **Annual Governance Statement**
4.1   An Annual Governance Statement from the Leader of the Council and the Chief Executive is included at Appendix 5. It includes the mandatory disclosure of any significant governance issues identified through the Council's governance and internal control arrangements.

4.2   Sound Corporate Governance is crucial if the Council is to continue to provide leadership, direction and control. It is important that members are aware of the documents and activities that work together to provide assurances about the Council's Governance measures in place. The Annual Governance Statement provides an opportunity for the Council to assess and report transparently to the public how it ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

4.3   Since the abolition of the Comprehensive Area Assessment our external auditors are no longer required to formally assess and make scored judgements on our governance arrangements. However, they do review the Annual Governance Statement and in their most recent Annual Audit Letter concluded that it was neither misleading nor inconsistent with the findings from their audit work.

PHILIP BAKER
Monitoring Officer

Contact officers: Duncan Savage, Assistant Director - Audit and Performance (01273) 482330
duncan.savage@eastsussex.gov.uk Andy Cottell, Democratic Services Manager (01273) 481955

Local Member: All

BACKGROUND DOCUMENTS: Pro formas returned by document "owners" setting out whether the various codes, policies and strategies are being complied with.

Local Code of Corporate Governance – key policies and processes

Policy or process	Purpose, vision & outcomes	Purpose, functions and roles	Values, good governance, conduct & behaviour	Decisions, value for money, scrutiny & risk management	Capacity & capability	Engagement & accountability
Sustainable Community Strategy (Pride of Place)	✓	✓			✓	✓
Reconciling Policy and Resources	✓	✓				✓
Council Plan	✓	✓				✓
Contract Standing Orders	✓		✓	✓		
Risk Management Strategy	✓		✓	✓		
Communications Strategy	✓				✓	✓
Medium Term Financial Plan	✓					
Corporate Complaints Policy	✓		✓	✓		✓
Performance Management	✓	✓	✓		✓	
Partnerships Guidance	✓	✓	✓	✓		
Statement of Accounts	✓					✓
Constitution		✓	✓	✓		✓
Business Continuity Plan		✓	✓	✓		
Consultation and Engagement Strategy		✓			✓	✓
Employee Policies and procedures		✓	✓		✓	
Scheme of Delegation		✓	✓			
Code on Officer / Member relations		✓	✓	✓		
Guidance to members on outside organisations		✓	✓	✓		
Code of Conduct for Employees			✓	✓		
Code of Conduct for Members			✓	✓		
Equalities Scheme and Policies			✓			✓
Anti Fraud & Corruption Strategy			✓			
Confidential Reporting (Whistle-blowing) Policy			✓	✓		✓

Policy or process	Purpose, vision & outcomes	Purpose, functions and roles	Values, good governance, conduct & behaviour	Decisions, value for money, scrutiny & risk management	Capacity & capability	Engagement & accountability
Anti Money Laundering Policy			✓			
Financial Regulations & Standard Financial Procedures			✓	✓		
Training & Development Strategy (Employees)			✓		✓	
Members Training & Development Plan			✓	✓	✓	
Health and Safety Policies & Procedures			✓	✓		
Project Management Toolkit			✓	✓		
Tendering & contracting Procedures			✓	✓		
Consultancy Code			✓	✓		
Annual Internal Audit Report			✓	✓		
IT Security Policies			✓			
Data Protection Policy			✓			
Intellectual Property Guidance			✓			
Corporate Procurement Strategy, policies and guidance			✓	✓		
Overview and Scrutiny Procedures				✓		✓
Scheme for access of information				✓		✓
Freedom of Information Policy				✓		✓

Progress against Corporate Governance action plan 2010/11

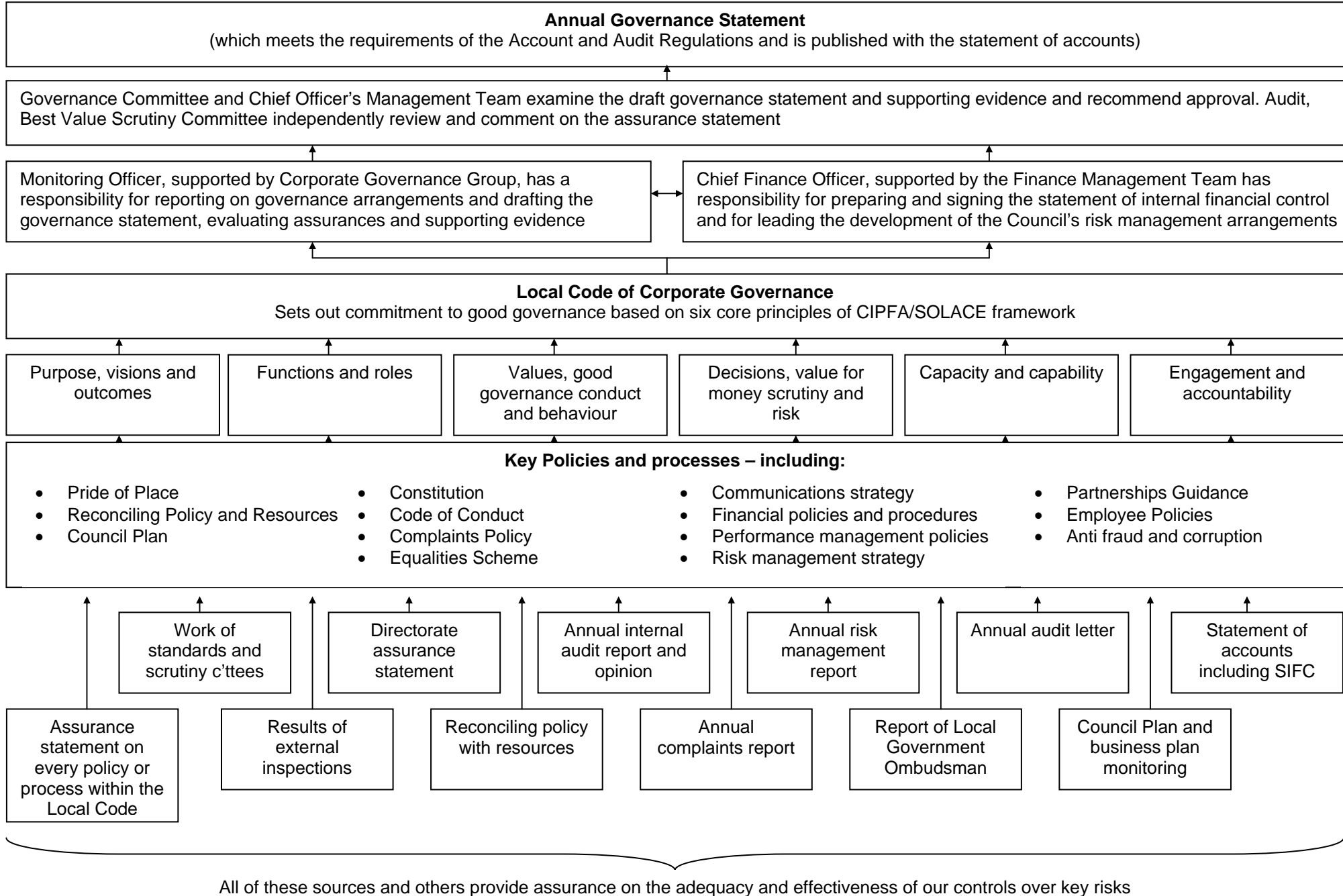| Improvement area	Target	Action to date	Responsibility
Corporate Governance Framework	To review the Corporate Governance Framework to ensure that it remains up to date and reflects best practice.	Local Code is compliant with current CIPFA / SOLACE guidance and best practice. Framework of key policies and processes is reviewed on an ongoing basis by the Corporate Governance Group to ensure it remains up to date. CIPFA/SOLACE are reviewing their Code in 2011/12.	Governance & Community Services
Transition to new senior management arrangements	To ensure that the transition to new senior management arrangements for the Chief Executive and other senior managers including the Monitoring Officer do not have a negative impact on the effectiveness of the County Council and its governance arrangements.	The transition has been successfully made. No issues have arisen. The initial changes have now bedded in and work is progressing on additional changes that will be necessary to support the new policy agenda within a significantly reduced level of funding	Chief Executive
Business Continuity (BC) Planning	To review and update the corporate Business Continuity plan in line with BS25999.	The existing corporate Business Continuity Plan was exercised on 15 October 2010. The reviewed plan has been adapted to take account of new graduated response arrangements.	Economy, Transport and Environment
Equalities and Diversity	To apply the new Equality Framework for Local Government (EFLG) to ensure improvement against local and national indicators and compliance with legislation and to be an "Achieving" authority against the EFLG by end of 2011/12	Achieved level in July 2010.	Chief Executive's office

Corporate Health and Safety	To carry out a full review of the Council's safety management arrangements, improving communication, awareness and compliance. To improve the level of attendance and well being of staff at work by reducing the likelihood of ill-health absences and ill-health retirement To improve health & safety compliance through the development of improved managers guidance documents. To develop an electronic online accident reporting system to both improve the level of accident reporting and to generate detailed accident statistics.	Release of online accident system set for 1 June 2011 through Enable InfoMatrix. Staff physiotherapy service has been reviewed and further supporting guidance issued to staff, as well as acupuncture and pro-active initiatives launched. Further links with Attendance Management team planned to target staff currently off on long term sick leave. Virtual Gym software purchased to provide online health tracking and online gym facility for all corporate staff. Launch date estimated at 1 June 2011. The H&S Team have run two events in celebration of European H&S week. Targeting health & wellbeing of the workforce. Initial feedback is good and further development is planned for 2011. New pre-employment system went live on the 18 April to meet the requirements of the EQ Act. New online eye care system launched on the 18 April to allow eye tests in line with DSE regulations.	Governance & Community Services

Information Security	Improve the Council's information security arrangements by: - Making available to all staff policy, protocol training and tools to enable protection of sensitive data both electronic and non-electronic through the lifecycle of creation, acquisition, retention, transit, use and disposal - To introduce a formal management action plan and infrastructure to provide governance, risk management and assurance - Introducing an authentication process which will allow shared information between partner organizations by membership of the Government Connect, NHS N3 and Criminal Justice System programmes. - Implementing and supporting appropriate technologies to support Data in Transit Policy.	Policy and procedures have been produced and published. A programme of encryption for portable electronic media is progressing to plan and measures to protect non-electronic data are being prepared for consideration. ESCC has successfully satisfied the code of connection (CoCo) for both the Government Connect (GSCx) and NHS (N3) and provided full assurance to maintain shared information with all partner organisations including the Criminal justice System. We are committed to annual improvement and assessment. Appropriate technology, including anti-malware encryption programmes for laptops and USB sticks and a secure gateway for email has been introduced. Measures for non-electronic data are being examined. A gap analysis to address outstanding issues has been produced and is under consideration. An Information Security Policy and Implementation Plan is prepared and ready for consideration by COMT	Corporate Resources

Partnership Working	To raise awareness of the Council's partnership working guidelines	Up to date guidelines are available on the Intranet	Chief Executive's Office
Use of Consultants	Develop and publish a toolkit to promote best practice in the use of consultants	Toolkit on use of consultants launched on the Intranet on 04/10/10. Update report on action taken to improve the management of consultants provided to the Audit and Best Value Scrutiny Committee in March 2011 and no further action was required	Corporate Resources
Safeguarding	To co-operate with partner agencies to deliver changes in the governance arrangements for the Local Safeguarding Children's Board in line with the recommendations made in the Laming Report	Independent chair in place 2011-12 Business plan signed off by LSCB in October- this includes membership and expectations as per Laming ToR for LSCB and subgroups reviewed Induction process for new members in place Interface between CYPT Executive Group and LSCB agreed. Recruitment of lay members currently on hold awaiting more DfE guidance. Lead member now attends as observer	Children's Services
Local Government and Public Involvement in Health Act	Develop and implement processes for e-petitions and councillor call for action in line with proposals agreed by the Council in October 2009	On-line petition facility launched in December 2010 in line with statutory deadline.	

Code of Conduct for Employees and conflicts of interest in schools	Implementation of recommendations set out in the Internal Audit review of the code of conduct for employees and conflicts of interest in schools	Following the Internal Audit review in August 2010, PAT has developed the Corporate Code of Conduct to apply to school based staff. It is worth noting that PAT are developing all schools based personnel policies to bring them in line with corporate policies; it is for this reason that PAT are keen to have one Code of Conduct Policy for both Corporate and School based staff. The Trade Unions have been consulted on the revised draft Code of Conduct. The draft has been resisted by Trade Unions on the basis that their professional/governing bodies set out standards of behaviour and conduct. However, we are expecting to ask schools to adopt the new policy in 2011/12.	Children's Services

ESCC Framework for the Annual Governance Statement

Annual Governance Statement
(which meets the requirements of the Account and Audit Regulations and is published with the statement of accounts)

Governance Committee and Chief Officer's Management Team examine the draft governance statement and supporting evidence and recommend approval. Audit, Best Value Scrutiny Committee independently review and comment on the assurance statement

Monitoring Officer, supported by Corporate Governance Group, has a responsibility for reporting on governance arrangements and drafting the governance statement, evaluating assurances and supporting evidence

Chief Finance Officer, supported by the Finance Management Team has responsibility for preparing and signing the statement of internal financial control and for leading the development of the Council's risk management arrangements

Local Code of Corporate Governance
Sets out commitment to good governance based on six core principles of CIPFA/SOLACE framework

Purpose, visions and outcomes	Functions and roles	Values, good governance conduct and behaviour	Decisions, value for money scrutiny and risk	Capacity and capability	Engagement and accountability

Key Policies and processes – including:

- Pride of Place
- Reconciling Policy and Resources
- Council Plan

- Constitution
- Code of Conduct
- Complaints Policy
- Equalities Scheme

- Communications strategy
- Financial policies and procedures
- Performance management policies
- Risk management strategy

- Partnerships Guidance
- Employee Policies
- Anti fraud and corruption

Work of standards and scrutiny c'ttees	Directorate assurance statement	Annual internal audit report and opinion	Annual risk management report	Annual audit letter	Statement of accounts including SIFC

Assurance statement on every policy or process within the Local Code	Results of external inspections	Reconciling policy with resources	Annual complaints report	Report of Local Government Ombudsman	Council Plan and business plan monitoring

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

Action Plan 2011/12

Improvement area	Target	Department responsible
Corporate Governance Framework	To review the Corporate Governance Framework to ensure that it remains up to date and reflects best practice. To consider implications of the CIPFA/SOLACE review of their Code.	Governance & Community Services
South East Seven Partnership	To ensure appropriate governance arrangements are in place in relation to partnership working under the South East Seven Partnership.	Chief Executive
Local Enterprise Partnership	To ensure appropriate governance arrangements are in place in relation to partnership working under the Local Enterprise Partnership.	Governance and Community Services
Localism Bill	To implement changes as appropriate in order to comply with the requirements of the Localism Bill including a revised standards regime for councillors	Governance and Community Services
Information Security Policy	Implementation of Policy to protect personal and sensitive information	Corporate Resources
Code of Conduct and Conflict of Interest	To ensure approval and implementation of the revised Code	Governance and Community Services
Scheme of Delegation	To update the schemes of delegations to Chief Officers and internal schemes of delegations from Chief Officers to other officers within departments	Governance and Community Services
Public Audit	To consider response to the Government's consultation regarding the future of Public Audit and any future implications for the Council.	Corporate Resources

East Sussex County Council

Annual Governance Statement for the year ended 31 March 2011

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 overall responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of the County Council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal. To this end, East Sussex County 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 on our website at www.eastsussexcc.gov.uk or can be obtained from the Council's Monitoring Officer.   This statement also sets out how the County Council has complied with its Local Code and also meets the requirements of the Accounts and Audit Regulations 2011 for reviewing its system of internal control.

2.   Purpose of the governance framework

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Our governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where appropriate, leads the community.

The code of corporate governance can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally the County Council's system of internal control is designed to identify and prioritise the risks to the achievement our policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively and economically. It cannot eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims and objectives are achieved.

The Local Code of Corporate Governance and the system of internal control have been in place at East Sussex County Council for the year ended 31 March 2011 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 Governance Committee, Standards Committee, Audit Best Value and Community Services Scrutiny Committee, Scrutiny Committees generally 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 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 annual letter and annual governance report;

- the judgements of a range of external inspection and other statutory bodies including the Local Government Ombudsman, the Standards Board for England, the Care Quality Commission and the Office for Standards in Education

4.   Key elements of the governance and internal control environments

The key elements that comprise the Council's governance arrangements are set out in the Local Code and they include:

- a Community Strategy and Council Plan that set out our vision for the community and the outcomes we intend to achieve;
- an established medium term planning process including the process for reconciling policy priorities with financial resources, which takes account of the need to improve both customer focus and efficiency;
- a 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;
- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
- financial management structures which promote ownership of financial issues within service departments;
- the Council's constitution which sets out clear arrangements for decision making, scrutiny, communication and the delegation of powers to officers and Members;
- codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
- a clear framework for financial governance based on Contract Standing Orders, Financial Regulations and Standard Financial Procedures;
- 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;
- Member committees with clear responsibilities for governance, audit and standards
- established arrangements for dealing with complaints and whistle-blowing, and combating fraud and corruption;
- schemes for identifying the development needs of Members and officers, supported by appropriate training;
- strategies for communication and consultation with the people of East Sussex and our key stakeholders;
- clear guidance that promotes good governance in our partnership working;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and project management.

5.   Assurance and Significant Governance Issues

No assurance can ever be absolute; however this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the County Council's governance arrangements. 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, including a satisfactory system of internal control, both of which are operating effectively.

As part of our review, we have not identified any gaps in assurance over key risks or significant governance issues.

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

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, as follows:

- To review the Corporate Governance Framework to ensure that it remains up to date and reflects best practice;

- To ensure appropriate governance arrangements are in place in relation to partnership working under the South East Seven Partnership and the Local Enterprise Partnership

- To approve and implement a corporate information security policy and to complete the roll out of encryption software and end point control

- To implement a revised Employee Code of Conduct for all Council staff

- To update the scheme of delegation to reflect changes in structure and responsibility

- To consider the impacts of the Localism Bill including the implementation of a revised standards regime for councillors

- To consider response to the Government's consultation regarding the future of Public Audit and any future implications for the Council.

- *To ensure smooth transition in relation to the changes to health required by the Health and Social Care Bill*

- *To ensure a successful transition in relation to the change in responsibility for public health*

- *To support arrangements for the establishment of GP consortia in 2012-13*

- *To monitor arrangements in relation to the customer focus change programme in order to deliver the objectives in relation to customer focus and the access strategy*

- *To ensure governance arrangements are in place in relation to the service review programme to ensure that the Council achieves its objectives and to monitor the impact of the reviews*

Actions plans are in place to address these issues, and their implementation will be monitored and reviewed during the year.

Cllr Peter Jones, Leader
Becky Shaw, Chief Executive
5 July 2011

(NB actions in italics will be monitored through the Council's Business Plan with all other actions being monitored via the action plan at Appendix 4)