

Committee: **Audit, Best Value and Community Services Scrutiny Committee**
Date: **1 June 2012**
Title of report: **Assessment of the Corporate Governance Framework for 2011-12**
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, Best Value and Community Services 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 was discussed by Audit, Best Value and Community Services Scrutiny Committee members when it meet on 1 June 2012 and their comments are reflected in this report.

3. Assessment of the Corporate Governance Framework for 2011-12

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 2010-11 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 2011/12. 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 2012/13 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

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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
Reconciling Policy, Performance 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		✓	✓		✓	
Pay Policy		✓	✓	✓		
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			✓	✓		
Information Security Policy (including Data in Transit)			✓			
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 2011/12

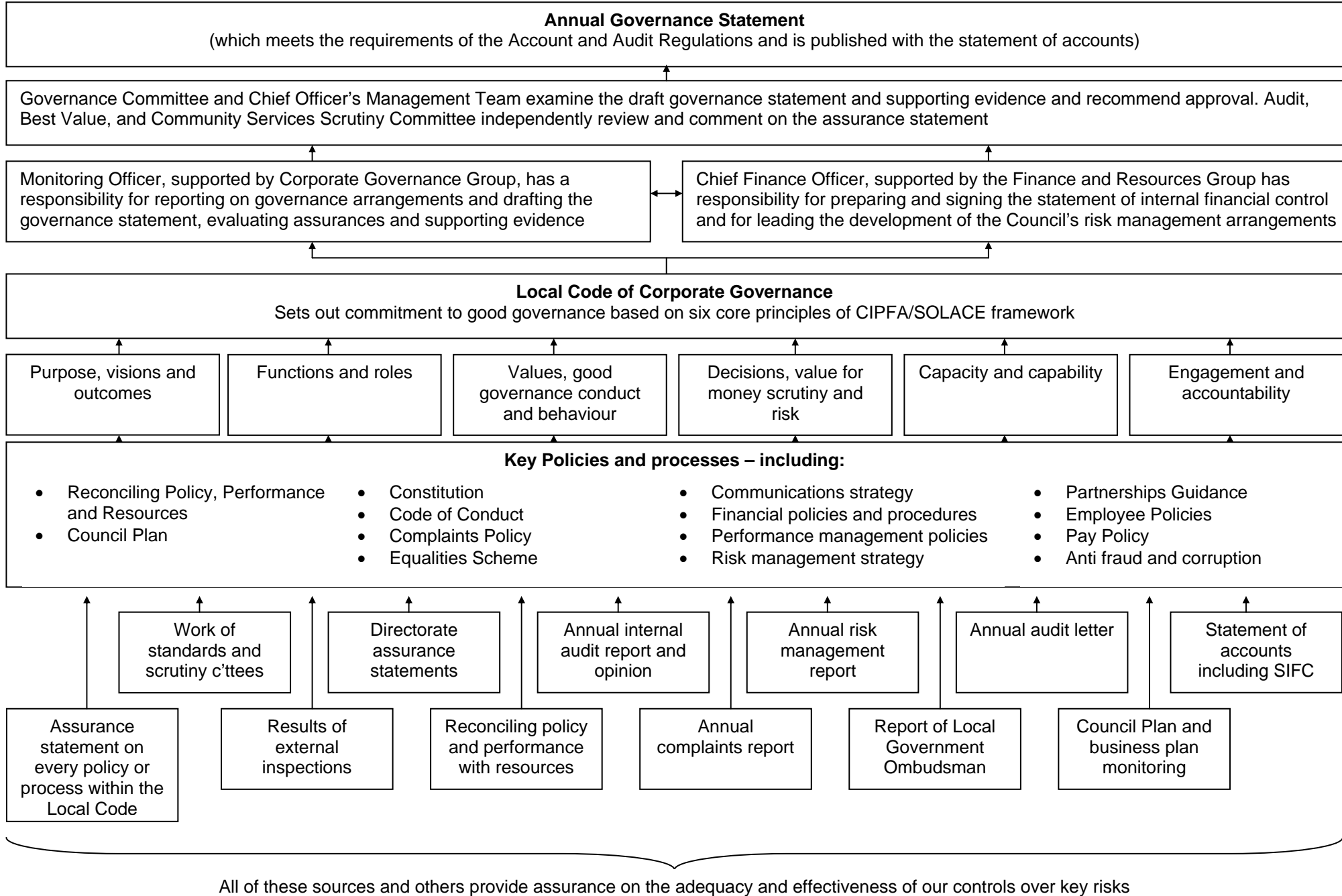
Improvement area	Target	Action to Date	Responsibility
Corporate Governance Framework	<p>To review the Corporate Governance Framework to ensure that it remains up to date and reflects best practice.</p> <p>To consider implications of the CIPFA/SOLACE review of their Code.</p>	<p>It was expected that CIPFA / SOLACE would review the Code during 2011/12 but this has now slipped to 2012/13.</p>	<p>Governance and Community Services</p>
South East Seven Partnership	<p>To ensure appropriate governance arrangements are in place in relation to partnership working under the South East Seven Partnership.</p>	<p>The Leaders, Deputy Leaders and Chief Executives of the South East Seven Councils represent an overarching group overseeing the work of the partnership.</p> <p>The Council Plan contains relevant SE7 targets and where any decisions need to be made which impact on service delivery or have budgetary implications across East Sussex County Council, formal agreement will be sought through the Reconciling Policy, Performance and Resources process, schemes of delegation or other relevant governance mechanisms.</p>	<p>Chief Executive</p>

<p>Local Enterprise Partnership</p>	<p>To ensure appropriate governance arrangements are in place in relation to partnership working under the Local Enterprise Partnership (LEP).</p>	<p>The Board and Executive Board of the LEP are now established with an agreed vision and strategic priorities. It has appointed a Chairman.</p> <p>Local political representation on the Board is by District and Boroughs and ESCC Leaders and on the Executive Board (agreed by D&B Leaders) by Cllr Tutt EBC & Cllr Stanley WDC, alongside Leader of ESCC.</p> <p>In addition on the full Board East Sussex has representation from the private sector, HE and FE sectors and on the Executive by 3 private sector representatives. In addition, each County area has a nominated private sector Vice Chair (nominated by the private sector). Weekly Senior Officer Group conference calls are in place and where required, CEO conference calls as well.</p> <p>Where any decisions need to be made which impact on service delivery or have budgetary implications across East Sussex County Council, formal agreement will be sought through the Reconciling Policy, Performance and Resources process, schemes of delegation or other relevant governance mechanisms.</p> <p>The LEP has been successful in receiving both Capacity Fund and Start Up funding allocation from the BIS.</p> <p>Following a robust appraisal of possible Enterprise Zone sites, undertaken by independent consultants, the LEP prioritised 2 sites for EZ status which were subsequently successful.</p> <p>A similar process has been undertaken for the Growing Places Fund for which the LEP has been allocated £33M. 2 projects have received an £8.5m allocation from the fund in East Sussex. In addition, a further £15m has been allocated to the LEP through the last Budget.</p>	<p>Economy, Transport and Environment</p>
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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	Revised draft Code of Conduct and local standards framework been drafted. Considered by Standards Committee and Governance Committee. To be considered by County Council in May 2012. Regulations in relation to pecuniary interests not yet published.	Governance and Community Services
Information Security Policy	Implementation of Policy to protect personal and sensitive information	Policy approved and formally launched. Published on external website and publicised internally via intranet. There is ongoing action to ensure that the policy is complied with.	Corporate Resources
Code of Conduct and Conflict of Interest	To ensure approval and implementation of the revised Code	Revisions to the Code of Conduct for Employees have now been approved by Governance Committee and the revised 'Code of Conduct and Conflict of Interest Policy' will be launched by July 2012.	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	Scheme of delegations to chief officers and internal schemes of delegations from Chief Officers to other officers within departments have been updated.	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.	CLG has recently published its response to the consultation exercise setting out how it intends to proceed. This will involve further consultation with practitioners on the operation of Independent Audit Appointment Panels. We will continue to monitor developments, but given the recent award of 5 year contracts for the outsourcing of the Audit Commission's in house practice, then it is unlikely that Councils will need to appoint their own external auditors until December 2016 (for the audit of the 2017/18 accounts).	Corporate Resources

<p>Internal Quality Assurance Processes</p>	<p>To review internal quality assurance and monitoring processes following the findings of the CQC inspection of Mount Denys</p>	<p>Significant improvements have been made to the internal monitoring and quality assurance processes at Mount Denys and across the Directly Provided Services as a whole. The latest CQC re-inspection during December 2011 reports that the Council complied with all of the essential standards relating to quality and safety, save for one minor concern regarding cleanliness and infection control. Regular reports on progress have been made to Adult Social Care and Community Safety Scrutiny Committee (see papers 27/10/11 and 01/03/12).</p>	<p>Adult Social Care</p>
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ESCC Framework for the Annual Governance Statement



Action Plan 2012/13

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 any development of revised partnership working arrangements for South East Seven Partnership, including creation of companies.	Chief Executive
Regulation of Investigatory Powers Act	To ensure that actions identified in the RIPA report following the Inspection in 2011/12 are implemented	Governance and Community Services
Health and Safety	To consider improvements in relation to the management of the controller of premises role	Governance and Community Services
Localism Bill	To implement changes as appropriate in order to comply with the requirements of the Localism Act including (a) a revised standards regime and Code of Conduct for councillors (b) Community Right to Challenge – set out a policy for dealing with any expressions of interest made under the right to challenge (c) Assets of community value – consider any response required by County Council to list of assets of community value held by the district and borough councils	Governance and Community Services Corporate Resources/Governance and Community Services Corporate Resources
Responsibilities and powers in schools	To review and assess the Council's roles, responsibilities and powers in schools	Children's Services
Code of Conduct and Conflict of Interest	To ensure approval and implementation of the revised Code for Employees	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	When legislation is published the Council will need to consider necessary actions in relation to Public Audit. The role of National Audit Office will also be kept under review	Corporate Resources
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East Sussex County Council**Annual Governance Statement for the year ended 31 March 2012****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 2012 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, the Deputy Director of Finance, the Finance and Resources Group 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 Council Plan that sets 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 performance and 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;
- compliance with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Finance Officer. For the year 2011/12 the Director of Corporate Resources was the s151 Officer and the Chief Finance Officer. For an interim period, from 1 April 2012, the Authority has assigned the statutory role of s151 Officer and Chief Finance Officer (under the Local Government Finance Act 1988) to the Deputy Director of Finance. Whilst the Deputy Director will undertake those statutory duties some of the broader responsibilities of the Chief Finance Officer set out in the CIPFA Statement rest with the Interim Director of Corporate Resources (who has relevant experience as a s151 Officer and Chief Finance Officer);
- 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 any development of revised partnership working arrangements for South East Seven Partnership, including creation of companies
- To implement the actions identified in the RIPA inspection report 2011/12
- To review how the controller of premises role is managed
- To update the scheme of delegation to reflect changes in structure and responsibility
- To consider the impacts of the Localism Act including the implementation of a revised standards regime for councillors, community right to challenge and assets of community value
- To carry out a review to assess the Council's roles, responsibilities and powers in schools
- To implement a revised Employee Code of Conduct for all Council staff
- To keep under review changes in Public Audit and role of the National Audit Office

The Council Plan identifies a number of areas (as set out below) that have Governance implications and these will be monitored through the Council Plan

- *Provide leadership to ensure a smooth transition to the changes to health provision required in East Sussex by the Health and Social Care Bill;*
- *Develop a plan to set out how we will improve customer care and customer access;*
- *Improve the effectiveness of the Council's procurement by establishing a procurement partnership with Surrey County Council*
- *Develop and establish Healthwatch East Sussex, the local consumer champion for people who use and need health and social care services*
- *Ensure a successful transition in relation to the change in responsibility for public health*
- *Support arrangements for the establishment of GP consortia in 2012-13*
- *Ensure effective equalities policies and procedures in place*

The Council has also identified a need to develop its approach to transparency and to respond to the Government's open data agenda. This will be managed and monitored by the Performance Assistant Directors Group.

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

Councillor Peter Jones, Leader
Becky Shaw, Chief Executive
3 July 2012