

Agenda Item 7

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **10 June 2014**

By: **Monitoring Officer**

Title of report: **Assessment of the Corporate Governance Framework and Corporate Assurance Statement for 2013-14**

Purpose of report: **To consider the Monitoring Officer's draft report to the Governance Committee on the Annual Assessment of the Corporate Governance Framework and Annual Governance Statement.**

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.**
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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 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) in compliance with the requirements of the Accounts and Audit Regulations 2011. 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 draft 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.

PHILIP BAKER
Monitoring Officer

Contact Officers: Russell Banks, Head of Assurance (01273 481447)
Andy Cottell, Democratic Services Manager (01273 481955)
Local Member: All

BACKGROUND DOCUMENTS

None

Committee: **Governance Committee**
 Date: **1 July 2014**
 Title of report: **Assessment of the Corporate Governance Framework for 2013-14**
 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:

- **approve the action plan for the next year;**
- **note that items identified to enhance governance arrangements are reflected in Business Plans and that implementation will be monitored through the 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 the comments of the Audit, Best Value and Community Services Scrutiny Committee;**
- **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 The report was considered by the Audit, Best Value and Community Services Scrutiny Committee on 10 June 2014. (add any views expressed by the Committee).

3. Assessment of the Corporate Governance Framework for 2013-14

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 3).

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 The Monitoring Officer has undertaken a review of the Council's governance arrangements for 2013/14. This review process is summarised in Appendix 2. 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 within the Annual Governance Statement and form part of departmental business plans for the year ahead.

3.4 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. Similarly, these issues will be monitored through the relevant Business Plans.

3.5 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 3). As part of the assurance gathering process, the CIPFA/SOLACE guidance on corporate governance was taken into account and is reflected in the Local Code.

3.6 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 3. 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 not inconsistent or misleading with other information they were aware from their audit of the financial statements and that it complied with published guidance.

PHILIP BAKER

Monitoring Officer

Contact officers: Russell Banks, Head of Assurance 01273 481447

Andy Cottell, Democratic Services Manager 01273 481955

Local Member: All

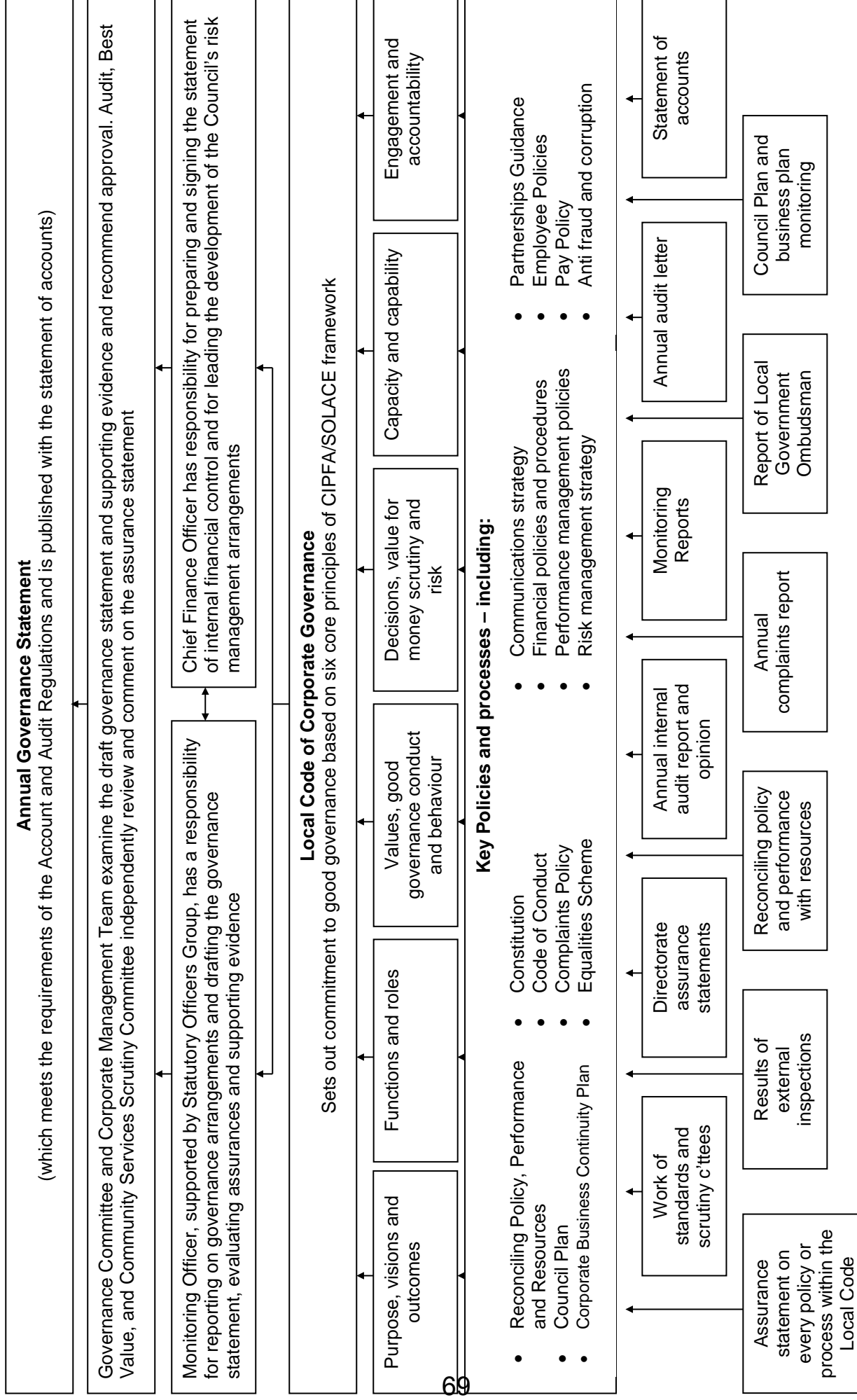
BACKGROUND DOCUMENTS: Pro formas returned by document "owners" setting out whether the various codes, policies and strategies are being complied with.

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
Reconciling Policy, Performance and Resources	✓	✓				✓
Council Plan	✓	✓				✓
Procurement 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			✓	✓		
Anti Fraud & Corruption Strategy			✓			
Confidential Reporting (Whistle-blowing) Policy			✓	✓		✓
Anti Money Laundering Policy			✓			
Financial Regulations & Standard Financial Procedures			✓	✓		

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
Training & Development Strategy (Employees)			✓		✓	
Members Training & Development Plan			✓	✓	✓	
Health and Safety Policies & Procedures			✓	✓		
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				✓		✓

ESCC Framework for the Annual Governance Statement



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

East Sussex County Council**Annual Governance Statement for the year ended 31 March 2014****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 (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

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 2014 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 Chief Operating Officer and the Chief Finance Officer;
- the work of the Monitoring Officer and the Statutory Officers' Group ;
- the risk management arrangements, including the maintenance and regular review of strategic risks by Chief Officers and departmental risks by management teams;
- the work of the internal audit service including their quarterly progress reports, on-going action tracking arrangements and overall 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 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;
- 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 Procurement Standing Orders, Financial Regulations and Standard Financial Procedures;
- a 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, through the Directorate Assurance

Statements, has identified a number of areas where it wishes to enhance its governance arrangements. These are set out on the attached annex A together with the department responsible for them.

The Council Plan identifies a number of areas that have governance implications and these will be monitored through the Council Plan. The areas outlined in the attached annex A will be monitored through departmental business plans.

The Council has also identified a need to develop its approach to transparency and to respond to the Government's open data agenda which will be monitored and managed.

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

Councillor Glazier, Leader
Becky Shaw, Chief Executive
1 July 2014

Annex A

The following actions will be taken to strengthen governance, risk management and internal control environment during the current year. The actions are shown for each department and will be monitored through departmental business plans

Business Services (BSD)

- With others, continue to develop the Reconciling Policy, Performance and Resources arrangements to improve integration of all aspects of resource management
- Continue to work with other departments to manage and reprioritise as necessary work programmes and measure the outcomes and value added from the new Business Services department. Complete a review of Resources Consolidation against the rationale for consolidation.
- Review of Financial Regulations to ensure they are up to date and relevant for the Council in light of consolidated support services and changes in legislation.
- Undertake a review of organisational capability in relation to financial management using the CIPFA FM model as a guide.
- Review of the management of the Capital Programme with the development of a Strategic Property and Assets Group.
- Development of a system to ensure that all formal reports have a robust financial appraisal which has been signed off by either the Chief Finance Officer or AD for Service Finance
- Review of governance and performance monitoring arrangements for the South East Shared Services Partnership
- Complete income review and implement final recommendations as agreed by the Corporate Management Team (CMT)
- Develop and implement a BSD departmental strategy and engage with all staff in the department to communicate and develop a consistent user experience reflecting the behaviours set out in the East Sussex Way

Children's Services

- Track Medium Term Financial Plan savings for 2014/15 to ensure we are on target to achieve the savings. Ensure processes are in place to engage Heads of Service earlier in the financial challenges for 2015/16 and onwards.
- Work with colleagues to ensure budget forecasting is accurate and that quarterly reporting identifies key financial issues.
- Review Dedicated Schools Grant funding of schools and services to ensure consistency and accuracy in forecasting, monitoring and budget management.
- Implement any recommendations emerging from the midterm review of THRIVE
- Further strengthen our evaluation capacity to ensure resources are deployed effectively and achieving the desired impacts
- Continue to work with colleagues to develop the Services to Schools business strategy in line with CMT's steer ensuring that robust methodology is in place to cost services to schools and a consistent approach to apportioning overheads
- Ensure the actions in the Ofsted inspection action plan are implemented. This will be monitored by SMT
- Implement recommendations from the Department Resilience Forum to improve departmental responsiveness in respect of business continuity and emergency planning across the department.
- Continue to develop the integration of financial, performance and risk management processes to ensure robust decision making.
- Further develop the arrangements in place for information governance and for the handling, management and transfer of confidential, sensitive and personal data in line with corporate governance
- Produce a blue print for school improvement that will develop capacity in schools, for sustainable improvement within the available resources
- Respond to the learning from serious case reviews

Communities, Economy and Transport

- Implementation of Peer Review findings.
- Business case for highways re-procurement to be completed.
- Establishing a new federated model governance arrangement for the Local Enterprise Partnership.
- Completion of future transport commissioning arrangements.
- Establish response to new flood risk management duties (SuDs).

Adult Social Care and Health

- Integrated working will continue to be progressed with the NHS through the establishment of the East Sussex Better Together Programme, which will seek to create a sustainable health and social care system in East Sussex. The Programme will report to the three Clinical Commissioning Groups, the County Council and the Health and Wellbeing Board
- The Social Care Information System programme will procure a new client information system which will strengthen links between case management and income recovery
- The Association of Directors of Adult Social Services (ADASS) South East Region is to conduct peer reviews over the next year. East Sussex will have its safeguarding practice peer reviewed as part of the sector led improvement programme
- The practicalities of the implementation of the Care Bill in East Sussex will be managed through a corporate Board, with CMT membership
- ADASS South East (co-chaired by the Director) will also oversee a regional programme for the implementation of the Care Bill. This is funded through the Department of Health and the budget for this will be managed by East Sussex County Council on behalf of the Branch, reporting to the Branch meetings and to the Department of Health.

Governance Services

- Continue training and development of Members;
- Ensure implementation of regulation changes in relation to decision making; and
- Continue programme for Equality Impact Assessments to cover proposed service changes.