

## **1. SCOPE OF RESPONSIBILITY**

East Cambridgeshire District Council (the 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 Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles contained in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code can be obtained from our website. This statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a Statement on Internal Control.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## **3. THE GOVERNANCE FRAMEWORK**

The Council has a responsibility for ensuring a sound system of governance to meet statutory requirements for public authorities to adhere to proper practices in reviewing the effectiveness of their system of Internal control and preparing a Statement on Internal Control. This governance statement meets that requirement and sets out brief details of the arrangements the Council has in place regarding the key systems and processes comprising the Council's governance framework. This forms part of the Council's overall assurance framework, which incorporates the local Code of Corporate Governance adopted by the Council, covering six core principles and the accompanying supporting principles contained in the CIPFA/SOLACE Framework for delivering good governance in local government which was published in 2007.

The following paragraphs describe the key elements of the systems and processes that make up our governance arrangements, and these have been in place for the year ended 31<sup>st</sup> March 2012 and up to the date of the approval of the 2011/12 Statement of Accounts.

Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.

The Council's new administration has recently approved its new corporate objectives:-

- To run an efficient and effective Council to deliver best value for its residents;
- To build the foundations for the growth of the economy of East Cambridgeshire, supporting job and wealth creation and improving quality of life and the environment.

A suite of key performance indicators linked to the Council's priorities will be agreed from key performance indicators within new departmental Service Plans.

Reviewing the Council's vision and its implications for the Council's governance arrangements.

During the financial year 2010/11 the Council reviewed the resource requirements for monitoring and reporting on performance against intended outcomes as a result of changes happening both nationally and locally (including the Conservative governments decision to abolish many indicators and their reporting of). As a result of the deletion of the dedicated performance management post, performance had not been measured and reported for part of that year.

This lack of reporting of performance was identified as a significant governance issue in the Council's Annual Governance Statement for the financial year 2010/11, and this has been addressed by the implementation of a new Performance & Risk Management Framework which will be fully operational from 2012/13 onwards.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they present the best use of resources.

The Council has continued its programme of comprehensive service reviews where service delivery is challenged against national best practice and performance. The Service Review Guidelines were originally approved in 2008 and were revised in March 2010 to reflect the new requirement to produce and approve a "Statement of Consultation" as part of the Stage 1 report. The programme of reviews for the financial year 2011/12 included Housing Services and the Out of Hours Service.

The Council's financial management framework ensures that there is ongoing monitoring of expenditure. Monthly budget monitoring reports are provided to Heads

of Service and other budget holders, regular reports to Management Team and quarterly reports to policy committees who consider the latest projections against budget plans for service areas within their areas of responsibility.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The respective roles of the Council Leader and Chairman are set out in the Council's Constitution. There is also a scheme of officer delegation included in the Constitution, which sets out the scope of delegation and any restrictions. The Constitution is regularly monitored and updated to take account of any changes in legislation or the structure of the Council. A Member/Officer protocol ensures effective and appropriate communication between paid officers and Members.

The Chief Executive (the Head of Paid Service) leads the officers and chairs the Council's Management Team.

The Head of Finance is the designated Responsible Financial Officer under Section 151 of the Local Government Act 1972, and is responsible for:-

- ensuring that appropriate advice is given on all financial matters
- keeping proper financial records and accounts, and
- maintaining an effective system of internal financial control.

The Head of Legal & Democratic Services (the Monitoring Officer) has overall responsibility for complying with all legal requirements and ensuring good standards of governance.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.

The Council has adopted a number of codes of conduct, policies and procedures for both Members and officers, covering areas of behaviour and use of resources and these are included in the Constitution. These include:-

- Member Code of Conduct
- Guidance on Planning for Members
- Guidance on Licensing for Members: The Role of Elected Members in relation to Licensing Committee hearings under the Licensing Act 2003
- Guidance for Staff, Members and Candidates during an Election Period
- Protocol on Members and Officer Relations
- Members' Access to Council held information
- Employee Code of Conduct
- Whistle Blowing
- Procurement Strategy
- Monitoring Officer Protocol
- Guidance Note for Members and Officers – Formal and Informal Member Bodies

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

The Constitution acts as the guide for the operations of the Council, and identifies the roles and responsibilities of both officers and Members. The Council has developed and implemented a local Code of Corporate Governance, which is reviewed each year. The Constitution also includes Financial Procedure Rules that govern financial management and Contract Procedure Rules, which specify how contracts for works, supplies and services are tendered and controlled. The Contract Procedure Rules were reviewed during 2011/12, with the aim of aligning these (as much as possible) with neighbouring Local Authorities. This will assist with consistency for those wishing to trade with the Council, whilst ensuring a balance between governance and reduced bureaucracy.

The system of internal financial control is based on a framework of regular management information, Financial Regulations and associated procedures, management supervision and a system of officer delegation and accountability. The effectiveness of the system of internal financial control is reviewed each year by both Internal and External Audit.

The Council has in place a Risk Management Strategy, which describes the processes that are in place to identify, assess, address and report risks. Historically the Council has had a Corporate Risk Register in place which is reviewed by the Council's Management Team on a quarterly basis and reported to Committee. However, an Internal Audit review of the Risk Management process undertaken in 2010/11 highlighted that Operational Risks were not being regularly monitored/reported in the same way. This was identified as a significant governance issue in the Council's Annual Governance Statement for the financial year 2010/11, and this has been addressed by the implementation of a new Performance & Risk Management Framework which will be fully operational from 2012/13 onwards.

Ensuring the way we manage our finances complies with the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government 2010.

The Head of Finance is the Council's Chief Financial Officer and is a qualified accountant with suitable experience and is supported by appropriately qualified staff. The Head of Finance is a key member of the Council's Management Team and contributes to the overall management and governance of the Council. Under the Council's structure the Head of Finance is line managed by the Deputy Chief Executive as he has overall responsibility for the management of back office services. There is however an implied reporting line directly to the Chief Executive.

The Council has established a robust financial planning process which includes a Medium Term Financial Strategy, monthly budget monitoring reports to Heads of Service and other budget holders, quarterly budget monitoring reports to policy committees and regular financial reporting to Management Team. The Council

published its Statement of Accounts for 2010/11 by the statutory deadline of 30<sup>th</sup> September.

The Coalition Government's Comprehensive Spending Review announced that Council's financial support from Central Government would be significantly reduced with the cuts being front loaded. In light of this the Council reviewed its Medium Term Financial Strategy for the period 2010/11 to 2014/15 in preparation for the setting of the 2011/12 revenue budget, capital programme and council tax.

Undertaking the core functions of an Audit Committee, as defined in CIPFA's *Audit Committee – Practical Guidance for Local Authorities*.

In February 2011, Full Council approved changes to the Committee system and from May 2011 the Audit & Budget Monitoring Sub-Committee was established to (for the most part) oversee the audit function for the Council. Under a further restructure, from May 2012 audit matters will form part of the function of a new Finance & Governance Committee.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Council ensures compliance with established policies, procedures, laws and regulations through a number of channels. As the Head of Paid service, the Chief Executive is responsible and accountable to the Council for all aspects of operational management. The Head of Finance as the statutory "Section 151" Officer is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control. The Head of Legal & Democratic Service / Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

The Council's Performance Management appraisal process ensures that staff have the appropriate competencies to discharge their duties in accordance with the requirements of the Council.

The Council is required to publish its annual accounts by the Accounts and Audit Regulations 2011. The format of the financial accounts follows the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) as set out in its Code of Practice on Local Authority Accounting in the United Kingdom.. For the second financial year, the 2011/12 financial statements have been prepared using International Financial Reporting Standards (IFRS). This brings benefits in consistency and comparability between financial reports across the whole economy, and follows best practice in the private sector.

In terms of transparency, we have published details of all staff earning above £50,000 in our Statement of Accounts which can be viewed on our website. In addition we have also published details of expenditure over £500, contracts and tenders awarded over £500 and our Pay Policy Statement.

Whistle Blowing and receiving and investigating complaints from the public.

The Council has in place a Whistle-Blowing Policy, which covers the arrangements for staff to report concerns anonymously. The Policy was reviewed and updated during the financial year to include legislative changes such as the Bribery and Equalities Acts and to be compliant with the British Standards BSI Whistle Blowing Code of Practice PAS 1998:2008. There is an easy to use link included on the Council's internal web-site. Staff are also informed that should they have concerns they can seek advice from the independent charity Public Concern at Work.

The Council also has an Anti-Fraud & Corruption Strategy, which specifies the process by which investigations will be handled and reported. This was also reviewed during 2011/12 to include the implications of the Bribery Act 2010 which came into effect from 1<sup>st</sup> July 2011.

The Council's Complaints Scheme and how to complain to the Ombudsman are key documents to the Constitution. Complaints can be made using an on-line complaints form via the Customer Portal. The Council has a dedicated resource in place to manage the complaints process. A review of Customer Service Standards will be completed during 2012/13 as a result of the new integrated shared reception facility.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

There is a Member Induction and Training Programme in place. Members are also required to undertake specific training before performing certain duties such as Planning and Licensing. Member seminars are also arranged throughout the year to deal with specific issues as they arise.

All officer posts within the Council have a detailed job description and person specification to ensure that staff are suitably qualified to undertake their responsibilities. The development needs of officers are determined through an annual performance appraisal. A key outcome of this process is a Personal Development Plan, with any professional training requirements coming out of the appraisal being submitted to the Council's Management Team for approval.

The Council also has in place an induction programme for all new employees, which consists of a mix of one to one meetings covering specific aspects of employment and group meetings covering common aspects including Health & Safety, Customer Services, Data Protection, Freedom of Information and Environmental Information.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

There is public access to all Committee meetings except where items for discussion are of a confidential nature. The Council is committed to ensuring that members of the public are involved in the decision making process. There are schemes in place to allow members of the public to speak at both Planning and Licensing Committee meetings, and the Council has also issued guidance on public question time at other

meetings. All meeting agendas, minutes and decisions are published on the Council's website.

Through five Neighbourhood Panels across the District, the Council, together with other key service providers, is working to ensure that the community can have a say in how services are delivered. Each Panel is made up of Parish, District and County Councillors along with community representatives invited to become panel members. Members of the public are also welcome to attend meetings and raise their own local issues.

The Council undertakes regular consultation exercises, including small focus groups of customers, large scale questionnaires and face-to-face surveys. As part of the Council's work on equalities, a Consultation Register is in place which gives individuals, community groups and associations the opportunity to consider new or revised policies, strategies or functions and to express their opinions, concerns and suggestions. The invitation for further individuals to join the register is regularly advertised to encourage as wide a participation as possible.

Regular media releases are used as a channel for keeping residents of the District informed of current and upcoming issues, and Council decisions. The Council endeavours to make sure that all communications with the public are accessible to all by providing translation, large print and Braille.

In April 2012 a new web-based community engagement tool called 'ShapeYourPlace' was launched. This lets local people start and join in conversations about how they can improve their local area. They can communicate directly with service providers about issues that affect them. Visitors to East Cambridgeshire's 'ShapeYourPlace' website are able to:

- Report issues and suggest ideas
- See what's been reported and join in conversations with other residents
- Receive updates about how issues are being resolved
- Write blog posts about local activities and news.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements.

The Council is involved in a range of joint working arrangements with other bodies. In July 2007 an evaluation was undertaken of the most significant partnerships in which the Council was involved in at the time and this was reviewed and updated in December 2009. The Council has also developed a Partnership Protocol to assess the value to the Council of, and terms of engagement with any new or existing partnership.

#### **4. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the

governance environment, the Head of Internal Audit's annual report, and comments made by the external auditors and other review agencies and inspectorates.

### **The Council**

The Council operates in accordance with the Financial Management framework in that it approves:-

- Amendments to the Council's Constitution
- Service priorities
- Annual budget and Council Tax
- Annual Statement of Accounts
- Annual Governance Statement
- New or amendments to policies and strategies
- Code of Corporate Governance
- Scheme of Delegation

### **Audit Committee**

From May 2011 the Audit & Budget Monitoring Sub-Committee was established. This Sub-Committee (for the most part) has overseen the audit functions for the Council, and Corporate Governance arrangements including Risk Management.

### **Standards Committee**

The Standards Committee is properly constituted in accordance with current legislation. It is chaired by a non-elected member and consists of District Councillors, Lay Members and Parish Councillors. The Standards Committee is responsible for promoting and maintaining high standards of conduct by Councillors and for monitoring compliance with the Member Code of Conduct.

### **Internal Audit**

Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 issued by the Chartered Institute of Public Finance & Accountancy. The Terms of Reference for Internal Audit is approved annually by Committee. It is managed by the Principal Auditor who reports to the Head of Finance (the Council's Section 151 Officer).

Internal Audit is responsible for the review of the system of internal control and for providing an opinion on the internal control environment within its annual report. The annual audit plan which was approved by the former Policy & Resources Committee in February 2011 governs the audit activity for the year.

At the completion of each audit a report is produced for management detailing the work undertaken. Recommendations are made to improve controls and they are given a priority rating ranging from High to Low according to the significance of the weakness identified. An action plan to implement the recommendations is agreed prior to the issue of the report.

An assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks is also given. There are four levels of assurance ranging from "Full Assurance" where there are only Low priority or no recommendations arising, to "No Assurance" where a significant proportion of the recommendations are High

priority. During the financial year 2011/12 Internal Audit have given one “No Assurance” opinion and two “Limited Assurance” opinions

The opinion on the system of internal control included in the annual report for the financial year 2011/12 is as follows:-

*“Whilst no assurance can be absolute, on the basis of the work carried out by Internal Audit during the year, and the implementation by management of the recommendations made, I can give significant assurance that the systems of internal control within the areas examined were operating satisfactorily.”*

Any significant weaknesses that Internal Audit identified in the control environment were reported to senior managers and to the Audit & Budget Monitoring Sub-Committee. A review of the effectiveness of the system of Internal Audit is undertaken each year and the outcome reported to Committee.

As the Head of Internal Audit has not attained a full Consultative Committee of Accountancy Bodies (CCAB) qualification or a Chartered member of the Chartered Institute of Internal Auditors (CIIA) qualification, the Council is required in accordance with CIPFA’ s “The role of the head of internal audit in the public sector” to publicly state this in the Annual Governance Statement. The post holder does however have considerable Internal Audit experience at manager level and holds the Association of Accounting Technicians qualification.

#### **Other Review/Assurance Mechanisms**

The Council’s external auditor, The Audit Commission, published its Annual Governance Report for the financial year 2010/11 by the 30<sup>th</sup> September 2011 which contained the opinion on the accounting statements and value for money conclusion. An unqualified audit opinion was issued in both respects. The Annual Audit Letter was issued in November 2011 summarising the findings from the 2010/11 audit.

#### **Management Team**

The Council’s Management Team is responsible for the delivery of the overall planning, performance and direction of the Council. The Management Team consists of the Chief Executive, Deputy Chief Executive and all Heads of Service. Management Team meetings are usually held every two weeks.

### **5. SIGNIFICANT GOVERNANCE ISSUES**

#### Review of significant governance issues raised in 2010/11

The approved Annual Governance Statement for the financial year 2010/11 identified three significant governance issues and these have been addressed during the year.

<b>Issue</b>	<b>Progress</b>	<b>Status</b>
Performance Management That a review of performance management arrangements in the Council is undertaken.	A revised performance management framework has been put in place and will operate from April 2012.	Complete
Risk Management That the Council reviews its risk	A revised risk management framework has been put in place during the financial year and has	Complete

Issue	Progress	Status
management arrangements in light of the findings of the Internal Audit review.	been operating since November 2011.	
Bribery Act 2010  That the Council's Anti-Fraud & Corruption Strategy be revised to include the provisions of the Bribery Act 2010.	Revised Anti-Fraud & Corruption Strategy approved by Full Council 11 <sup>th</sup> October 2011.	Complete

### Significant governance issues 2011/12

We have been advised on the implications of the results of the review of the effectiveness of the governance framework, and plan to address the following weaknesses and ensure continuous improvement of the system in place.

#### **Internal Audit Reports**

The following Internal Audit reports issued during the financial year 2011/12 resulted in either a Limited or No Assurance opinion being issued:-

#### Fees & Charges – Limited Assurance

In response to the recommendations contained in the Internal Audit report Financial Services produced a draft Fees & Charges Register which was presented to Management Team in October 2011 where Heads of Service were asked to review the fees for each of their services to determine whether any amendments were required. The Fees & Charges Register was presented for approval by Full Council alongside the 2012/13 budget on 23<sup>rd</sup> February 2012. A copy of the Fees & charges Register has been placed on the Council's website to enable the public to access all charges in one place. Fees & charges will be reviewed annually as part of the budget setting process. No further action is required as the recommendations made in the report have been implemented.

#### Contract Procedure Rules – Limited Assurance

The recommendation made in the Internal Audit report was that Contract Procedure Rules should be complied with consistently across the Council. Since the audit review amended Contract Procedure Rules have been approved, relevant staff have received procurement training and a number of standard templates have been produced to be used in the contract award process which are available to all staff. Compliance will be tested by a further Internal Audit review during the financial year 2012/13.

#### Housing Benefit – Bed & Breakfast Claimants – No Assurance

There is an action plan in place to address the issues raised in the report. A follow up review will be undertaken by Internal Audit during the financial year 2012/13 to ensure that the recommendations contained in the audit report have been implemented.

The Council also faces considerable challenges during the next financial year and beyond. The ongoing levels of reduction in local government expenditure and a number of significant legislative changes such as the Localism Bill and Welfare Reforms, including the Local Government Finance Bill, mean that there are significant governance challenges facing the Council.

We propose over the coming financial year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

J Hill  
Chief Executive  
Date :

P Moakes  
Leader of Council  
Date :