

ANNUAL GOVERNANCE STATEMENT MAY 2009

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Summary: To present the Annual Governance Statement for 2008/9 to Audit Committee for approval.

1. Introduction

- 1.1 The Council is required to make proper arrangements to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 The Council in presenting its annual accounts is also required to meet the requirements of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to publication of a statement of internal control or governance.
- 1.3 The procedure for compiling the Annual Governance Statement includes an overview of all Council services, practices and policies in providing assurance that the Council's accounts can be relied upon, as they are based on a sound system of corporate governance. In drawing up this Annual Governance Statement the Council's Corporate Team has had regard to the CIPFA Finance Advisory Network guidance.
- 1.4 The attached Annual Governance Statement sets out the extent of the Council's systems which contribute to its corporate governance and which therefore underpin completion of the final accounts. The Annual Governance Statement is signed off by the Leader and Chief Executive before the Council is asked to agree the final accounts.
- 1.5 During the external audit of the Council's accounts for 2006/7 and 2007/8 the External Auditor identified some omissions and risks not adequately covered in the assurance documents. At its meeting on 27 March 2009 the Audit Committee was therefore being asked to approve amended and resubmitted documents:
- i) A Statement of Internal Control for 2006/7 (SIC)
 - ii) Annual Governance Statement for 2007/8 (AGS)
- This version of the Annual Governance Statement refers to the financial statements for 2008/9. It also includes some issues that arose during the audits of the SIC 2006/7 and AGS 2007/8, as well as some new items. Among these are issues arising from the recent review of internal audit and audit of governance. Weaknesses identified have been incorporated into this Annual Governance Statement where they are priorities.
- 1.6 During 2008/9 the Council's Chief Executive was absent on sick leave for five months and continues to be away from work. The Council made arrangements to cover his

role as Head of Paid Service, as well as covering his work on a range of internal and external issues during 2008/9. These business continuity arrangements have ensured that as far as possible the work of the Council is not disrupted by the absence of this post-holder, and the risks to the Council's performance have been minimised.

1.7 During three months of 2008/9 the Council's Audit Services Manager was covering the vacant post of the section 151 Officer. Consideration of the impact of this arrangement is included in the review of effectiveness of internal audit and corporate governance papers presented to the Audit Committee on 27 May 2009. An action for this Annual Governance Statement includes making arrangements to ensure the continuing independence of internal audit.

2 Conclusion and Recommendation

2.1 It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.

2.2 The attached Statements sets out what the Council has done and put in place to ensure as far as is possible that the safeguards are in place that the Council's accounts are properly managed.

2.3 As the year progresses the actions highlighted as required in the Annual Governance Statement are monitored through action plans for the Corporate Governance Reports that the Audit Committee receives and includes in its ongoing audit work.

2.4 It is recommended that the Audit Committee approves the attached Annual Governance Statement 2008/9 and recommends it for inclusion with the Annual Statement of Accounts.

List of appendices:

Appendix A – Annual Governance Statement 2008/9

**COPELAND BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2008/09**

Scope of responsibility

Copeland Borough 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, Copeland Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Copeland Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Information about how the Council complies with this framework can be obtained from the Monitoring Officer. 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 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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.

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

The governance framework

The Governance Framework includes:

•• identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- A 5 year Council Plan including key objectives was adopted on 17 April 2007.
- Individual Service Plans, linked to the Corporate Plan, set out key objectives. Service Plans for 2008/09 were in place by April 2008.
- Achievement of the main objectives also reported annually in the performance summary BVPP for 2007/8, and thereafter in other communications with the public, for example the Council Tax leaflet.
- The 5 year Corporate Plan was used to develop a Corporate Improvement Plan for 2009/10. This plan displays, on a single A3 page, the key projects and performance indicators for 2009/10. This plan has been used to develop service plans for 2009/10.

•• reviewing the authority's vision and its implications for the authority's governance arrangements

- Corporate and service targets and objectives are reviewed quarterly. Performance against Corporate Plan objectives are reported to the Executive and Corporate Improvement Board quarterly. Service key objectives are monitored by the Chief Executive /relevant Director.
- A light-touch refresh of the Corporate Plan was started in autumn 2007, to ensure that the Council's targets and objectives were still relevant and reflect the developing environment for local authorities, particularly in light of the enactment of Local Government and Public Involvement in Health Act 2007. This was completed in June 2008 and continued to be kept under review.
- A Corporate Improvement Plan showing priority projects and performance indicators for 2009/10 was started in autumn 2008 and approved by Executive in April 2009.
- Developments in the CAA process have been consulted upon, discussed and responded to by the Council. Progress in meeting the new requirements has been reported to Corporate Improvement Board and OSC Management.

•• measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Standards and targets have been in place for many years and further development on customer service standards is ongoing.
- Standards for customer service were adopted by Management Group in September 2005 and were formally approved by the Executive 21/2/06. During 2008/9 a satisfaction survey was carried out to understand customer's satisfaction with services they had received. The Place Survey was conducted during 2008/9, with arrangements being made for publication of the results.
- Performance against national Best Value Performance Indicators (BVPI's), National Indicators (NI's) and implementation plans for all Best Value Reviews are monitored through individual service performance reports and,

- Quarterly reports are made to Executive on progress against the 5 year Corporate Plan and NI's. Where performance is falling short of the target, corrective action has to be approved, including specific targets included in Service Plans.
- Resources Planning Working Group ensures that resources are allocated to Council priorities.
- A Medium Term Financial Strategy was agreed by Full Council in February 2008. At the February 2009 Council meeting the full supporting budget was updated to reflect changed planning assumptions covering the period 2009/10 to 2011/12.
- The Executive received quarterly reports on management accounts compared to revenue budgets and of capital expenditure compared to the capital programme.
- A Procurement Strategy was prepared and adopted, with an improvement action plan. A Procurement Officer has been appointed. We actively participate in EPIC and are currently piloting IDeA Marketplace.

•• 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

- Council's Constitution provides a general framework for governance which is reviewed at least annually.
- The Executive meet at least monthly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 7 working days, to allow for effective scrutiny.
- The Executive received regular reports on corporate performance throughout 2008/09.
- Forward Plan details key decisions to be made by the Executive.
- Individual Portfolio Holders have delegated powers.
- Four Overview and Scrutiny Committees, based on cross-cutting themes, have work plans which provide a mechanism for feeding into policy making.
- Overview & Scrutiny Committees: there were no significant control issues arising from the "call in" of decisions. In 2008/9 the Overview and Scrutiny Committees reviewed a range of topics proposed by stakeholders and arising from internal sources and external partners. These reviews resulted in recommendations for changes in Council policy or practice.
- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area.
- Risk management and progress on developing a business continuity plan, was monitored regularly by Corporate Team. A business continuity exercise took place in February 2008 that identified gaps in our planning. A new corporate business continuity plan was signed off by Corporate Team on the 9 March 2009 and went to the Corporate Improvement Board in April. Individual services have developed plans containing the details of how their service will support the corporate business continuity plan.

•• developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Councillors' Code of Conduct is signed up to by all Members of the Council

- The Employee Code of Conduct was reviewed and reissued at April 2007. All employees are required to sign to say they have received it.
- When new Council employees are recruited, as part of the employment contract documentation they receive the Employees' Code of Conduct, Confidentiality Statement, Security Policy and CRB form, if required.
- The Council achieved level 2 of the Equalities Standard for Local Government in March 2008, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors. The Council is working towards gaining the Equalities Standard 'Achieving' by March 2010.

• 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 governing body (Full Council) - reviewed and approved the Constitution in September 2008.
- Minor amendments to Financial Regulations were approved in December 2007.

• undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- The Audit Committee monitored internal and external audit work, including reviewing the adequacy of internal controls. As from Jan 09 the Audit Committee had an independent chair.
- Internal Audit also submitted an Annual Report on Internal Control to the Audit Committee on 27 May 2009 and a report on compliance with corporate governance standards.
- The Audit Committee considered and formally adopted the 2008/09 Statement of Accounts on 30 June 2008. A revised set of Accounts were resubmitted and formally adopted on 19 November 2008.
- External Audit – published the Annual Audit and Inspection Letter, presented to Members in March 2009. Other Audit Commission reports included the Auditor's report on Data Quality, the Use of Resources Judgement and Annual Governance report.
- Early monitoring report on the preparation of the 2008/9 accounts was submitted to the Audit Committee
- Accounting Policies and Principles were formally approved by the Audit Committee prior to submission of the Statement of Accounts

• ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- There were no S.151 or Monitoring Officer reports issued in 2008/09.

• whistle-blowing and for receiving and investigating complaints from the public

- There were no adverse Ombudsman reports in 2008/09. The Ombudsman's office came to train managers and complaints handling staff in good practice during 2008/9.
- The Confidential Reporting Code was reviewed and re-launched in 2007/8.

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

- A Members' Development Plan was in place during 2008/9, arrived at through in depth discussions with individual members. The Council achieved the Members Development Charter from North West Employers' Organisation. The accreditation lasts until September 09 when we will apply for reaccreditation.
- The employees' Training and Development Plan was delivered in 2008/9 through a new employee performance management framework introduced April 08. This framework was designed to identify employees' contributions and training needs to deliver the Corporate Plan and services plans. Investors In People assessment confirms that this has been effective.
- The Council achieved reaccreditation of the Investors in People award during 2008/9
- In order to mainstream Section 17 (S17) of the Crime & Disorder Act 1998 in all Council activities the S17 officer has provided training to members. A work programme has also been developed for 2009/10 to ensure services audit their activities and embed S17 into their work programmes and service plan developed for 2010/11.
- Following the Data Quality audit inspection, managers and key staff attended data quality training.

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

- The Council consulted the public on the development of a range of its service and corporate objectives, including the budget for 2008/9.
- Through the West Cumbria Strategic Partnership and other partnerships the Council was engaged in a range of activities to communicate with the public, including on the future of the nuclear industry in West Cumbria.
- To achieve Level 2 of the Equality Standard for Local Government the Council talked to a range of community organisations about improving service access during 2007/8. During 2008/9 the Council has been working towards gaining the Equality Standard 'Achieving' and has continued to work with community organisations to improve service access.
- During 2008/9 the Council has been working with partners defining locality working arrangements to give opportunities for greater participation by the community, working with agencies to identify and address local needs. Two pilot locality boards will be set up with detailed action plans by December 2009.

•• 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 authority's overall governance arrangements.

- In order to increase its effective and efficient partnership working the Council has developed and formally agreed revised protocols and service level agreements
- External Audit opinion found that there were still improvements that the Council could achieve in developing sound governance of partnerships. This requirement has been incorporated into improvement plans for 2008/9 and 2009/10.

Review of effectiveness

Copeland Borough 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 the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework included the following:

- the **Authority** has continued to review its Constitution in 2008/9;
- the **Executive** has included in its Forward Plan decisions relating to the Council's governance;
- the **Audit Committee/Overview and Scrutiny Committees** have included a range of reviews of aspects of the Council's governance in their programmes of work, including, in the case of the Audit Committee, some statutory governance reports. The Audit Committee and the Overview and Scrutiny Management Committee also considered the update of the Strategic Risk Register.
- the **Standards Committee** undertook a review of ethical governance during 2007/8 and continues to deliver against the agreed action plan.
- **Internal Audit** has created a plan for and undertaken a number of reviews including governance issues and reported its findings to Corporate Team and the Audit Committee;
- **other explicit review/assurance mechanisms**. Heads of Service have stated that to the best of their knowledge that in 2008/9 their services have complied with the Council's framework of policy and procedure in managing resources and observing the requirements of probity. Operational risks are identified through service and project planning and are logged on the Covalent performance system, monitored at least quarterly by managers. Risk management and progress on developing a business continuity plan was monitored regularly by Corporate Team.

Significant governance issues

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee. An action plan was agreed by Corporate Team, as part of the annual internal report on Corporate Governance on 11 May 2009. This report and action plan was considered by the Audit Committee on 27 May 2009, prior to consideration of the Annual Governance Statement on 3 June 2009. The significant governance issues have been updated. An action plan outlining these issues, together with a proposed target date for each, is shown below:

Issue Identified	Target Date
<i>Ensure that the Council has in place proper arrangements to review and revise the Council's practices in financial reporting to meet the requirements of the latest guidance in accordance with statute. This will include resourcing the Accountancy section to ensure sufficient time is available to carry out quality checks, ensure consistency of accounting treatment and to produce working papers which include an analytical review, whilst still meeting the statutory deadlines. [Interim staffing</i>	<i>June 2009</i>

Issue Identified	Target Date
<i>arrangements and the buying- in of private sector resources have been superseded by the appointment of permanent post holders.]</i>	
<i>Improve budgetary control by ensuring the reconciliation of control accounts is up-to-date and by implementing robust close-down procedures, thus ensuring the revenue outturn is accurate and the reserves position can be relied upon. Improve capital monitoring by quality checks on the project management data and through recently established officers' Capital Control Group</i>	June 2009
<i>Improve arrangements to identify and mitigate potential risks associated with partnership working. This will include setting up a register of partnerships, including accountable body status, and financial governance procedures – including risk management.</i>	July 2009
<i>Ensure audit recommendations are implemented promptly. The backlog of outstanding recommendations, and progress on implementation, will continue to be reviewed quarterly by Corporate Team and the Audit Committee. Aim to clear the backlog of 2007/08 recommendations.</i>	September 2009
<i>Keep under review the Council's arrangements for Business Continuity Planning, including regular testing of these arrangements.</i>	October 2009
<i>Following an adverse inspection report on the statutory Housing function, an Improvement Plan was drawn up. Need to monitor progress against the Housing Strategy Improvement Plan. [A special Panel has been established for this purpose].</i>	September 2009
<i>Ensure procedures are followed to keep the Fixed Asset Register up-to-date. [SIC 2006/07 refers]</i>	Ongoing in 2009/10
<i>Keep under review the Council's Constitution and take any further reviews to council for approval as required.</i>	March 2010
<i>Due to resourcing issues, internal audit were able to cover 66% of the audit plan in 2008/9 (all the main financial systems were audited along with 57% of non-fundamental systems). The impact of the slippage was considered by Corporate Team to be minimal and was reported to the Audit Committee. The outstanding work will be risk assessed and rolled forward to 2009/10 and reported to the Audit Committee throughout 2009/10 where appropriate.</i>	Ongoing in 2009/10 subject to quarterly reports
<i>Level of non-audit work to be minimised, monitored and reported to Audit Committee on a quarterly basis.</i>	
<i>Arrangements to be put in place to maintain audit independence. The Cumbria Shared Services Strategy and joint professional working across authorities should support arrangements for resilience and appropriate independence.</i>	Ongoing in 2009/10
<i>Overall risk management arrangements to be considered at least quarterly by the Audit Committee</i>	Ongoing in 2009/10
<i>Implementing the new Cumbria-wide Joint Scrutiny arrangements</i>	September 2009
<i>The Pay and Grading Review must be implemented in 2009/10</i>	31/3/10
<i>Concern about use of interim, agency and temporary staff. Chief Executive to review recommendations and formulate a proposed way forward.</i>	November 2009
<i>Procedures being reviewed for disposal of land in line with Audit Commission recommendations in Annual Governance Report 2006/7</i>	Ongoing in 2009/10

<i>Issue Identified</i>	<i>Target Date</i>
<i>published March 2009 to be considered by new Capital Control Group (see above)</i>	

We propose over the coming 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.

Signed:
 Leading Member (or equivalent)

Signed:.....
 Chief Executive (or equivalent)

Date:.....

on behalf of Copeland Borough Council