

ANNUAL GOVERNANCE STATEMENT 2010/11

LEAD OFFICER: Director of Resources and Transformation

REPORT AUTHOR Performance and Transformation Manager

Summary: To present the Annual Governance Statement for 2010/11 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 Copeland Borough Council has approved and adopted a code of corporate governance, which has been consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control – the Annual Governance Statement.
- 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. An action plan at the end of the statement addresses any significant governance issues identified.
- 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 This version of the Annual Governance Statement refers to the financial statements for 2010/11.

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 and 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 2010/11 and recommends it for inclusion with the Annual Statement of Accounts.

List of appendices:

Appendix A – Annual Governance Statement 2010/11

**COPELAND BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2010/11**

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 has been consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Information about how the Council complies with the framework can be obtained from the Monitoring Officer. The statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control – the Annual Governance Statement.

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 2011 and up to the date of approval of the Statement of Accounts for 2010/11.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's Governance Framework include:

1. Identifying and communicating the authority's vision and outcomes for citizens and service users

1.1 The Council agreed a 5 year Council Plan in 2007, and reviewed and updated it annually. During 2010/11 the Council delivered its objectives through a one year implementation plan. This plan, displayed on a single A3 page, highlighted the key projects and performance indicators for 2010/11. These in turn were reflected in service plans, which were in place by April 2010 and monitored quarterly.

1.2 The Council published the Corporate Implementation Plan 2010/11 for delivery of its vision and objectives through the website and a summary in the Council newspaper, Copeland Matters. For the first time in 2010/11 the Council published a special edition of Copeland Matters containing an annual report to residents of its previous years' achievements.

1.3 To renew its focus for 2011 onwards in the circumstances following the General Election in May 2010, the Council agreed a new vision and corporate objectives in a 3 year Council Plan for 2011/14. Following consultation with stakeholders at the beginning and end of the process, the Council agreed the new Council Plan on 22 February 2011 and is making arrangements to publish it in several formats and places.

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

2.1 During 2010/11 the Council has been working on Choosing to Change, a corporate improvement programme, first developed during 2009/10. It was designed to draw together a number of areas for change including development of a new vision and goals for the Council, review of Constitutional arrangements, review of strategic partnerships, improvements in communication and reduction of Council expenditure to meet reduced funding for local authorities. The first phase of the Choosing to Change programme was agreed by Council on 13 April 2010.

2.2 Choosing to Change activities are supported by external expertise provided through North West Improvement and Efficiency Partnership and involves representatives of the local government sector in providing advice and good practice. The programme is managed by the Choosing to Change Board of Copeland BC members and there is an external Reference Group of sector representatives. The Council has secured external funding to help with the costs of the programme which will continue until 2012.

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

3.1 Resource Planning Working Group ensures that resources are allocated to Council priorities in line with the approved Medium Term Financial Plan. At the February 2010 Council meeting the full Council approved the detailed budget which was updated to reflect changed planning assumptions for the period 2011/12 .

3.2 By the beginning of 2010/11 it was recognised that the Medium Term Financial Strategy would have to change to reflect the new understanding of public sector finance within the national economic conditions following the General Election. A report setting out our understanding of what was likely to be required was agreed by Resource Planning Working Group on 8 April 2010.

Work continued on this strategy resulting in an updated Medium Term Financial Strategy being agreed by the Council on 22 March 2011, covering the period 2011/12 – 2014/15.

3.3 The Executive received quarterly financial reports in 2010/11 on both revenue and capital expenditure compared to budget. During the latter part of 2010/11 the frequency of monitoring increased to reflect the increased importance in managing budgets efficiently.

3.4 A Procurement Strategy and a Sustainable Procurement Policy were prepared and adopted in February 2010 together with an improvement action plan. These strategies were implemented during 2010/11, including training on improved procurement practice being offered to all managers. The Council actively participates in EPIC and uses the IDeA Marketplace system to maximise the opportunities for purchasing cost effectively.

3.5 During 2010/11 the Council entered shared services arrangements in respect of Revenues and Benefits and for Internal Audit. Both sets of arrangements sought to reduce costs and improve resilience in these mandatory services. Members of the Council are involved in the governance arrangements for shared services.

3.6 The Council's own headquarters is in a building provided under a PFI agreement. This represents good value for money for the community and has allowed the provision of good quality facilities. Accounting for PFI schemes has changed with the introduction of International Financial Reporting Standards (IFRS), and since 2009/10 PFI schemes are included on the Council's Balance Sheet. The Council's financial managers are undertaking ongoing training to ensure the accounts accurately reflect the new accounting arrangements.

3.7 Copeland Borough Council has had customer service standards and targets in place for many years and further development of customer service standards is ongoing.

3.8 During 2010/11 Copeland again carried out a survey to measure customer satisfaction with its customer commitments. The results were positive and an improvement on the previous year. Reports on the impact of the recession in Copeland and Cumbria were considered by the Executive in March, September and December 2010 to ensure that Council policies and decisions were sensitive to the economic climate.

3.9 Performance in services for customers against national Best Value Performance Indicators (BVPIs) and National Indicators (NIs) was monitored through individual service performance reports and, corporately, by the Corporate Leadership Team. A significant number of BVPIs were retained as local PIs to allow trends and comparisons with other authorities to be monitored.

3.10 Progress against all Council corporate and service targets and objectives is reviewed quarterly. Performance against Corporate Implementation Plan objectives were reported to the Executive and Corporate Leadership Team quarterly. Key service objectives are monitored by the Chief Executive and relevant Director and in discussions with relevant portfolio holders.

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

4.1 A review of senior management arrangements took place in 2010/11, starting with the appointment of a new Chief Executive. He developed a new structure with two new Corporate Director posts and a slimmed down Head of Service tier, to reduce costs and reflect new requirements of the Council. This will be fully implemented during 2011/12.

4.2 Council's Constitution provides a general framework for governance and it was comprehensively reviewed during 2010/11, and approved by full Council. The new Constitution sets out in plain language rules for running the Council's political and officer management, including the roles and responsibilities of the Executive, non-executive Overview and Scrutiny and

officer functions, with delegated powers explained. The Constitution and particularly the scheme of delegation to officers will need revision in 2011/12 following the review of senior management completed by June 2011.

4.4 The Executive meets 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 2010/11. Individual Portfolio Holders have delegated powers and these are set out in the Constitution.

4.5 Corporate Leadership Team (CLT) consists of the Chief Executive and two Corporate Directors who have prime responsibility for advising members on policy and allocation of resources. CLT take an overview of all Executive and Council reports at timetabled pre-meetings during the year.

4.6 Executive and Council reports contain a section which sets out the financial, legal and governance implications of the report together with any impact on equalities, human resources etc. The Constitution also sets out the basis for “key” decisions. All reports to Executive set out whether a decision is a “key” decision requiring it to be published in the forward plan.

4.7 In 2010/11 the previous four Overview and Scrutiny Committees, were reduced to two to consider Internal and External matters. They developed work plans which provided a mechanism for feeding into policy making. The Overview and Scrutiny Committees (OSC) 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.

4.8 During 2009/10 a review by OSC Management of the Council's emerging Choosing to Change improvement programme supported a review of constitutional arrangements, including improved communication and engagement of members, review and revision of the rules governing Council meetings and proposals to restructure the OSC function.

4.9 Through the Vacancy Management Group, Copeland BC managers have been challenging the need to replace all vacant posts that have arisen in 2010/11 and the efficiencies that have arisen as a result have contributed to the Council's target for savings under NI179. Where it has been necessary to fill a vacancy to safeguard services, active consideration has been given on a case by case basis to options including short-term contracts, reduced hours, restructuring the team or selective use of interim or temporary staff.

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

5.1 The Councillors' Code of Conduct is signed up to by all Members of the Council. The Employee Code of Conduct was reviewed and reissued in April 2007. All employees are required to sign to say they have received it. Both of these have been subject to review as part of the review of the Constitution in 2010. A new Protocol on member/ Employee Relations was agreed by Council in 2010.

5.2 The Council has a Dignity At Work Policy which was updated following recommendations by a OSC task and finish group during 2008/9. When new Council employees are recruited they receive the Employees' Code of Conduct, Confidentiality Statement, Security Policy and CRB form (if required) along with their employment contracts.

5.3 The Council reached the “Achieving” stage of the Equalities Framework for Local Government in November 2010, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors. An improvement plan arising from the assessment will ensure that the principles of the Equalities Act 2010 are embedded in the Council's planning and protocols.

5.4 In January 2011, the Council's Internal Overview and Scrutiny Committee reviewed the reporting back procedures and guidance for members on outside bodies. Recommendations are in the process of being implemented.

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

6.1 The Council's Constitution has been under review throughout the latter half of 2009/10 and into 2010/11. As part of this work the Council's Financial Regulations and Financial Procedure Rules were revised and approved by the Council on 7 December 2010. The Council also agreed revised Contract Procedure Rules on 17 August 2010. Workshops for managers and other officers were arranged to raise awareness of procedures and changes of practice. The Anti-Fraud and Corruption Strategy was updated in December 2009.

6.2 Individual Heads of Service provided annual assurance statements on the operation of controls in their service area in 2010/11 and this is one source of evidence in considering the effectiveness of the system of internal control.

6.3 The Council's Risk Management Strategy sets out how the Council approaches risk management. Risks to the delivery of service plans are set out in the annual service plans and are reviewed quarterly and reported as part of quarterly performance management procedures. The Strategic Risk Register was reviewed by Corporate Leadership Team. Work to review and refresh the Strategic Risk Register was undertaken with support from external expertise during 2009/10. The Audit Committee and OSC Management considered the revised Strategic Risk Register, and arrangements have been put in place to report updates to the Register periodically to the Audit Committee.

6.4 Progress on developing a business continuity plan, was monitored regularly by Corporate Leadership Team. Another business continuity exercise took place on 18 January 2011 that helped to identify gaps in our planning, however considerable progress since the previous exercise in 2009 was noted. A new corporate business continuity plan was agreed by Corporate Leadership Team in December 2010. Individual services have developed business continuity plans containing the details of how their service will support the corporate business continuity plan.

7. Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

7.1 The revised CIPFA statement on the Role of the Chief Finance Officer (CFO) in Local Government describes the roles and responsibilities of CFO's who are bound by both professional standards and also legislative responsibilities, with a fiduciary duty to the local taxpayer. The Council has a duty to either comply with each of the five key principles set out in the Statement or explain why they do not and how they deliver the same impact. The Council has complied with each of the five principles as set out in the paragraphs below.

7.2 Principle One – The CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

The CFO in Copeland BC is the Corporate Director - Resources and Transformation who reports directly to the Chief Executive and is one of the three members of the top level Corporate Leadership Team (CLT) sitting alongside the Chief Executive and the Corporate Director – People and Places.

7.3 Principle Two – The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the overall financial strategy.

The CFO at Copeland is responsible for establishing the authority's medium term financial plan, annual budget process and budget monitoring process and ensure alignment of the three. Each report that is considered by the Executive has a specific section for the CFO to record financial implications, risks and other operational and strategic advice.

7.4 Principle Three – The CFO must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

The CFO in Copeland BC is responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts and for maintaining an effective system of financial control. The Financial Procedure Rules set out in detail how controls operate.

7.5 Principle Four – The CFO must lead and direct a finance function that is resourced and fit for purpose.

The Finance Function is considered to be adequately resourced and additional resources are brought in for specialist work or to fill gaps in expertise or vacancies. Currently there are two interim finance managers in place to cover vacancies and specialist work, and the risk of continuing on this basis is being addressed with a full review of the structure of the finance function being carried out and a skills assessment undertaken as part of this review. Other specialist assistance has been brought in to assist with the IFRS / PFI accounting changes. Service standards are being reviewed and developed to ensure the service meets the needs of its customers.

7.6 Principle Five – The CFO must be professionally qualified and suitably experienced.

The CFO in Copeland BC is a qualified CIPFA accountant and has suitable relevant experience of public services bodies.

8. Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

8.1 The Audit Committee, established in 2007, has had an independent chair from January 2009. Its role is to monitor internal and external audit and inspection work, including reviewing the adequacy of internal controls. The Audit Committee monitors risk and Treasury Management and received Treasury Management training during February 2011.

8.2 Internal Audit submitted an Annual Report on Internal Control to the Audit Committee and a report on compliance with corporate governance standards on 27 May 2010.

8.3 The Audit Committee considered and formally adopted the 2009/10 Statement of Accounts on 28 June 2010, and considered the Audited Accounts on 27th September 2010. It also received an update report on progress with delivering improvements arising from the Annual Governance Statement 2009/10.

8.4 The Audit Committee receives audit and inspection letters on behalf of the Council from External Audit, including the Annual Audit and Inspection Letter which was presented to Members on 20 December 2010. Other Audit Commission reports included an Interim Memorandum on financial systems and an Annual Governance Report. Improvement plans arising from external audits and inspections are reviewed periodically during the year by the Audit Committee.

8.5 Early monitoring updates on the preparation of the 2010/11 accounts were submitted to the Audit Committee in February and April 2011.

9. Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

9.1 During 2010/11 Council decisions and arrangements for considering recommendations and items of business were in accordance with the relevant legislation and the Council's Constitution. The section 151 Officer (CFO) and the Council's Monitoring Officer provided comments on every report to Executive and were present in person or represented by their appointed deputies at every meeting of the Full Council and Executive. Preparation for each Executive report required completion of a checklist to allow assessment of the decision against the Council's policy framework.

9.2 The Council's budget was set in accordance with the requirements of the relevant legislation and guided by the Council's Medium-Term Financial Strategy. The s151 Officer is required to comment each year on the robustness of the proposed budget and this statement was supplied to Full Council prior to the agreement of the 2010/11 budget. The introduction of the International Accounting Standards to financial reporting has been taken into account by Copeland in preparation of its accounts for 2010/11.

9.3 For the first time in 2010/11 the Council has to produce its statement of accounts in accordance with the International Financial Reporting Standards under the guidance of the Code of Practice on Local Authority Accounting (the Code). This was reviewed and new requirements arising were identified and reported to Audit Committee on 21/4/10. A detailed timetable for implementing change, including staff resource allocation, was drawn up and progress was regularly monitored. Sufficient time was allowed to produce the working papers and to carry out quality checks, whilst still meeting the statutory deadline.

9.4 A full review was undertaken of the Reserves held by the authority to ensure that the reserves were held for legitimate purposes and that transactions were accurate and expenditure was fully reflected in the Income and Expenditure Account. .

9.5 At every meeting of the Council there are opportunities for elected members to declare personal and prejudicial interests. There are registers which elected members and officers are required to use to declare hospitality and personal interests. Corporate Team members and all Council members are required to complete an annual declaration of related party transactions.

9.6 The Council's call-in procedure for Executive decisions can be invoked if it is thought there has been a departure from policy guidance. There were no call-ins during 2010/11. There were no S.151 or Monitoring Officer reports issued in 2010/11.

9.7 The Legal Services Manager issued updates to service managers on new legislation and associated statutory guidance;

10 Whistle-blowing and receiving and investigating complaints from the public

10.1 There were no adverse Ombudsman reports in 2010/11. The Ombudsman's annual report for Copeland in 2009/10 was especially complimentary.

10.2 The OSC Internal continued to be responsible for overview of handling complaints to the Council during the year.

10.3 The Confidential Reporting Code was last reviewed and re-launched in 2009/10.

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

11.1 A Members' Development Plan was in place during 2010/11, arrived at through in depth discussions with individual members. The Council achieved the Members' Development Charter from North West Employers' Organization, which was last renewed in September 2009.

11.2 The Council decided to secure the services of a training and development advisor to co-ordinate learning and evaluate the investment of the Council's training budget. The employees' Training and Development Plan was refreshed in 2010/11 to take account of new service and corporate objectives. An employee performance management scheme was used for appraisals during 2010/11. This scheme was designed to identify employees' contributions and training needs to deliver the Corporate Plan and services' plans. Reaccreditation of the Investors In People award in July 2008 had confirmed that the Council had mechanisms in place for employees to have access to effective and relevant learning.

11.3 In order to mainstream Section 17 (S17) of the Crime & Disorder Act 1998 in all Council activities a full-time S17 officer was appointed to provide training in community safety to Copeland members and officers. A work programme was devised for 2010/11 to ensure services audit their activities and embed S17 into their work programmes.

11.4 Following the Audit Commission's Data Quality audit inspection in 2009/10, managers and key staff attended further data quality training. The Data Quality Action Plan for 2009/10 was fully complied with. In addition an e-learning package on information security from National School of Government was completed by Council managers in 2010/11.

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

12.1 The Council's current Communication Strategy sets out the main guidance for communication and consultation with the public. This strategy is due for revision in 2011/12. The Council consulted the public on the development of a range of its service and corporate objectives, including the budgets for 2010/11 and 2011/12. During the preparation of the budget for 2010/11, SIMALTO was used again to seek detailed understanding and opinions from the public about Council priorities. In preparation of the 2011/12 budget stakeholders were consulted at the beginning and end of the process on Council proposals.

12.2 During 2010/11 the Council was engaged in a range of activities to communicate with the public on the future of the nuclear industry in West Cumbria. The Managing Radioactive Waste Safely Partnership, of which the Council is an active partner, has implemented its public engagement commitments. The Council hosted one of four national events by the Department of Energy and Climate Change to ensure the public were able to express their views on the inclusion of, and adjacent to Sellafield as a site for Nuclear New Build.

12.3 To reach the "Achieving" level of the Equality Framework for Local Government during 2010/11 the Council talked to a range of community organisations about improving service access. It has continued to work with community organisations as representatives of target groups to improve accessibility for example in car parking.

12.4 During 2010/11 the Council has been working with partners establishing locality working to give opportunities for greater participation by the community and working with agencies to identify and address local needs. Six locality partnerships were set up, which were working on locality plans to be signed off during March and April 2011.

13. 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

13.1 In order to increase its effective and efficient partnership working the Council has developed and formally agreed revised protocols and service level agreements for some partnerships.

13.2 External Audit opinion found that there were still improvements that the Council could make in developing sound governance of partnerships. This requirement was incorporated into improvement plans for 2009/10 and 2010/11. The audit of risk management in partnerships carried out in Cumbria in 2009/10 formed the basis of improvements in Copeland as well as in other districts. Part of the Council's response to this work was to engage in the restructuring of the Cumbria Strategic Partnership and to contribute to the production of a single Sustainable Communities Strategy for Cumbria during 2010. Further work to strengthen protocols and practice will be undertaken in 2011/12.

13.3 The West Cumbria Strategic Partnership was dissolved in March 2010, to be replaced by separate arrangements for Allerdale and Copeland. The Copeland partnership met for the first time in December 2010. It was formed from representatives of a wide grouping of local organisations and stakeholders. The intention is that the Partnership should meet twice yearly to consider priorities and performance by the key public sector agencies based on an agreed sustainable communities strategy for Copeland.

13.4 A review of all strategic partnerships has been underway during 2010/11 to be completed later in 2011. The involvement of elected members in outside bodies has been subject to review during 2010/11, with a view to more active involvement in partnerships, better feedback to the Council and being in a better position to manage risks in achieving Council objectives through partnerships.

REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

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 (the Audit Manager'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 2010/11 and substantially replaced it with a new fit for purpose set of procedures and protocols;
- 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 also considered the update of the Strategic Risk Register.
- the **Standards Committee** undertook a review of ethical governance during 2007/8 and continued to deliver against the agreed action plan during 2010/11. It published an annual report of its activities for 2009/10.
- **Chief Financial Officer** has responsibility for ensuring the effectiveness of the financial controls and the Financial Procedure Rules have been reviewed and re-issued during 2010.
- **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 2010/11 their services have complied with the Council's framework of policy and procedure in managing resources and observing the requirements of probity. Operational risks were 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.

The Audit Committee at its meeting of 1st June 2011, received the Annual Report on Internal Control 2010/11 from the Head of Internal Audit which concluded that based on the audit work undertaken in the year, the opinion was that key systems were operating satisfactorily and there was no fundamental breakdown in controls resulting in material error or discrepancies. –

The meeting also considered the internal audit report of Corporate Governance Arrangements 2010/11, which evaluated performance against the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government and its checklist. The Head of Internal Audit concluded that the Council's Code of Corporate Governance is in line with best practice. The arrangements were generally effective and being complied with.

The meeting also received a report from the Corporate Director Resources and Transformation on the effectiveness of the system of internal audit which operated in 2010/11. The report brought together the findings of the Self-Assessment of the Head of Internal Audit on the Council's compliance with the CIPFA Code of Practice for Internal Audit in Local Government, the Annual Report on Internal Control 2010/11 and the main findings of the External Audit in 2010/11 in relation to internal audit.

The conclusion of the report was that the system of internal audit had operated satisfactorily in 2010/11

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

SIGNIFICANT GOVERNANCE ISSUES

The significant governance issues in 2010/11 which we will want to address have been identified from a number of sources. They are included in the following action plan.

ANNUAL GOVERNANCE STATEMENT 2010/11 ACTION PLAN

Issue No.	Governance Weakness and Issues to be Addressed	Action Agreed	Responsible Officer	Target Date
1.	<p><u>Weakness:</u> A review across Cumbria by the Audit Commission identified weaknesses in governance and risk management arrangements in strategic partnerships.</p> <p><u>Issues:</u> 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. (AGS para 12.2)</p>	<p>Partnership Group established chaired by Head of Development Strategy. Framework for analysing Partnership Register has been developed to identify key partnerships in terms of risk and impact. List of partnerships has been established. Now need to set up financial governance and risk management procedures.</p>	<p>J Betteridge, Head of Development Strategy and J Wagstaffe Corporate Director of Resources and Transformation</p>	30 June 2011
2.	<p><u>Weakness:</u> Finance Department is reliant on two senior officers who are only employed on temporary contracts.</p> <p><u>Issue:</u> Permanent capacity and resilience within Finance Department needs to be improved.</p>	<p>Restructure department and appointment permanent Head of Corporate Services and Accountancy Manager.</p>	<p>J Wagstaffe Corporate Director of Resources and Transformation</p>	31 October 2011
3.	<p><u>Weakness:</u> the corporate Communication Strategy needs to be revised.</p> <p><u>Issue:</u> The Council's Corporate Communication Strategy is a key element in how it engages with the public. (AGS para 11.1)</p>	<p>Update of the Communication Strategy is included as part of the Choosing to Change programme</p>	<p>Ian Curwen Communication Manager</p>	30 September 2011

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:.....