

# **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report Reference: AGC-007-2009/10.**

**Date of meeting: 22 June 2009.**

**Portfolio: Finance & Economic Development.**

**Subject: Annual Governance Statement 2008/09 and Action Plan.**

**Responsible Officer: Joe Akerman (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

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## **Recommendations:**

**The Committee is requested to consider, comment upon and approve:**

- (a) the draft Governance Statement for 2008/09 (included within the Statutory Statement of Accounts elsewhere on this agenda); and**
- (b) the action plan to address the issues identified within the Governance Statement, at Appendix 2.**

## **Executive Summary:**

The Council's Statutory Statement of Accounts is included elsewhere on the agenda for this meeting. The Accounts have been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit Regulations (Amendment) (England) 2006). Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). The arrangements are designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements need to be improved.

## **Reason for Proposed Decision:**

To provide the Committee with the opportunity to scrutinise the draft Governance Statement and the Action Plan to address weaknesses identified.

## **Other Options for Action:**

None.

## **Report:**

1. In accordance with good practice the governance statement should include the following information:

- An acknowledgement of responsibility for ensuring there is a sound system of governance;

- An indication of the level of assurance that the systems and processes that comprise the authority's governance can provide;
- A brief description of the key elements of the governance framework, including reference to group or partnership activities where those activities are significant;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan

2. The production of an AGS enables the Authority to use the review process positively and proactively to deliver assurance about governance arrangements within the Authority to stakeholders, and to develop better arrangements where the review finds areas in need of improvement. The process involves a comparison of achievements against the principles set out in the Authority's Local Code of Governance, and supports an intention and commitment to provide good governance. The local Code of Governance is attached at Appendix 1 by way of context.

3. The Annual Governance Statement is the product of an annual review by the Authority, of the effectiveness of the Council's governance arrangements. This includes an assessment of the effectiveness of its internal control arrangements. The AGS is published with the Statement of Accounts, and an action plan, to address identified weaknesses, is set out at Appendix 2.

4. The AGS is derived partly from detailed reviews by all Service Directors of the effectiveness of the governance arrangements operating within their Directorate, by reference to a detailed checklist incorporating the key elements within the Local Code of Governance. As part of this process Directors have considered available evidence to demonstrate that these governance systems and processes are working effectively and as intended. All Directors have provided assurance statements indicating the level of assurance that can be placed on the effectiveness of key controls operating at service level. These statements are intended to be a balanced representation of the arrangements in place during the year, and to highlight those areas where improvement is required. Significant issues are commented upon in the Governance Statement.

5. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls, and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, drawing attention to any issues that are relevant to the preparation of the Governance Statement. The annual audit report for 2008/09 is included on the agenda for this meeting, and includes an opinion that satisfactory assurance can be given regarding the adequacy of the Council's internal control system in 2008/09.

6. As part of the 'Use of Resources' assessment, the Authority's External Auditors will consider the arrangements in place for the preparation of the AGS, including the degree to which the Authority can demonstrate corporate involvement and ownership of its governance arrangements. The most recent Use of Resources assessment in 2008 scored the Authority at 3 (performing well) out of 4 for internal control, maintaining the position from the previous year.

#### **Resource Implications:**

From existing resources.

**Legal and Governance Implications:**

No specific implications.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Executive Forum and Service Directors.

**Background Papers:**

CIPFA Internal Audit Code of Practice, Audit reports and files.

**Impact Assessments:**

The preparation of the Annual Governance Statement is a key part of the Council's governance arrangements in demonstrating that there is a continuous review of the Council's internal control and risk management systems. In considering the Statement, the Audit and Governance Committee should be assured that any risks to the achievement of the Council's objectives are being managed via the action plan. There are no equalities impacts.

**EPPING FOREST DISTRICT COUNCIL**

**LOCAL CODE OF GOVERNANCE**

**1. What we mean by Governance**

- 1.1 Good governance is about how the Authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2 It comprises the systems, processes, culture and values, by which the Authority directs and controls its functions, and through which it accounts to, engages with and, where appropriate, leads the community.
- 1.3 This Local Code of Governance has been developed in accordance with and is consistent with the Framework for Delivering Good Governance in Local Government, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE).

**2. Core Principles of Good Governance**

- 2.1 The core governance principles of the Authority are:
  - (a) focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
  - (b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
  - (c) promoting values for the authority and demonstrating good governance through upholding high standards of conduct and behaviour;
  - (d) taking informed and transparent decisions which are subject to effective scrutiny and management of risk;
  - (e) developing the capacity and capability of members and officers to be effective; and
  - (f) engaging with local people and other stakeholders to ensure robust public accountability.

**3. Annual Review and Reporting**

- 3.1 Each year the Council will carry out a review of its governance arrangements to ensure compliance with this Code and the delivery of good governance within the local Business Assurance Framework and current good practice. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively, or to identify action that is planned to ensure effective governance in the future.

3.2 The outcome of the review will take the form of a Governance Statement prepared on behalf of the Leader of the Council and Chief Executive. It will be submitted to the Audit and Governance Committee for consideration and review.

3.3 The preparation and publication of the Governance Statement will meet the statutory requirement of the Accounts and Audit Regulations which requires authorities to conduct a review at least once a year of the effectiveness of its system of internal control, to prepare a Governance Statement in accordance with proper practices, and include the Statement with the Council's Statutory Statement of Accounts.

#### **4. Applying the Core Principles of Good Governance**

4.1 The six core principles set out at paragraph 2 above are supplemented by a number of supporting principles, which, in turn, have a range of specific requirements that apply across the Authority's business. These are detailed in the following tables, which also describe how the Council is achieving each of the requirements.

***Focusing on the purpose of the authority and on outcomes for the local community, and creating and implementing a vision for the local area***

<b>Supporting Principles</b>	<b>Specific requirements</b>	<b>How we are achieving this</b>
<p>Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users.</p>	<p>Develop and promote the Authority's purpose and vision for the District, and review on a regular basis this vision and the implications for its governance arrangements.</p> <p>Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.</p> <p>Publish an annual report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance.</p>	<p>Community Strategy, Council Plan, Local Code of Governance Local Strategic Partnership</p> <p>Partnership protocols</p> <p>Annual financial statements and Annual Report</p>
<p>Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.</p>	<p>Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.</p> <p>Put in place effective arrangements to identify and deal with failure in service delivery.</p>	<p>Council Plan, Best Value Performance Plan, Service plans, medium term financial strategy and annual budget. Essex Compact Epping Forest Compact</p> <p>Monitoring of performance indicators, Complaints procedure Partnership protocols</p>
<p>Ensuring that the Authority makes best use of resources and that taxpayers and service users receive excellent value for money.</p>	<p>Decide how value for money is to be measured and make sure that the Authority or partnership has the information needed to review value for money and performance effectively.</p> <p>Measure the environmental impact of policies, plans and decisions.</p>	<p>Value for money strategy Service plans 4 Year Financial Forecast Budget monitoring process</p> <p>Service plans Reference in Committee reports</p>

<b><i>Members and officers working together to achieve a common purpose with clearly defined functions and roles</i></b>		
<b>Supporting Principles</b>	<b>Specific requirements</b>	<b>How we are achieving this</b>
Ensuring effective leadership throughout the Authority and being clear about executive and non-executive functions, and the role of the scrutiny function.	<p>Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually, and the Authority's approach towards putting this into practice.</p> <p>Set out a clear statement of the respective roles and responsibilities of other Council Members, Members generally and of senior officers.</p>	<p>Council Constitution</p> <p>Member and Officer Protocol</p> <p>Induction programme</p>
Ensuring that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard.	<p>Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p> <p>Make a Chief Executive or equivalent responsible and accountable to the Council for all aspects of operational management.</p> <p>Develop protocols to ensure that the Leader and Chief Executive (or equivalents) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</p> <p>Make a senior officer (the S151 Officer) responsible to the authority 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 financial control.</p> <p>Make a senior officer (usually the Monitoring Officer) responsible to the Council for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with.</p>	<p>Constitution</p> <p>Scheme of delegation, conditions of employment, performance management</p> <p>Member and Officer Protocol</p> <p>Scheme of delegation, conditions of employment, performance management</p> <p>Scheme of delegation, conditions of employment, performance management</p>
Ensuring relationships between the Authority, its partners and the public are clear so that each knows what to expect of the other.	<p>Develop protocols to ensure effective communication between Members and officers in their respective roles. Ensure that effective mechanisms exist to monitor service delivery.</p> <p>Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process, including an effective Member Remuneration Panel.</p>	<p>Member and Officer Protocol</p> <p>Guidance to Members and officers on representation on outside bodies</p> <p>As set out in the Terms of Reference for the EFDC Remuneration Panel</p>

<b>Promoting values for the Authority and demonstrating good governance through upholding high standards of conduct and behaviour</b>		
<b>Supporting principles</b>	<b>Specific requirements</b>	<b>How we are achieving this</b>
<p>Ensuring Council Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</p>	<p>Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect.</p> <p>Ensure that standards of conduct and personal behaviour expected of Members and officers, of work between Members and officers and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols.</p> <p>Put in place arrangements to ensure that Members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders, and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<p>Member and Officer Protocol Member training programme</p> <p>Members' and officers' Codes of Conduct, performance appraisal, Complaints procedure</p> <p>Codes of Conduct, Financial Regulations and Contract Standing Orders</p>
<p>Ensuring that organisational values are put into practice and are effective.</p>	<p>Develop and maintain shared values including leadership values for both the Authority and staff reflecting public expectations, and communicate these with Members, officers, the community and partners.</p> <p>Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p> <p>Develop and maintain an effective Standards Committee.</p> <p>Use the Authority's shared values to act as a guide for decision-making and as a basis for developing positive and trusting relationships within the Council.</p> <p>In pursuing the vision of a partnership, agree a set of values against which decision-making and actions can be judged, as demonstrated by partners' behaviour both individually and collectively.</p>	<p>Member and officer Codes of Conduct Customer Charter Partnership protocols</p> <p>Member and officer Codes of Conduct</p> <p>As set out in the Terms of Reference for the EFDC Standards Committee</p> <p>Established decision-making and reporting processes The Council's Vision and Values Statement</p> <p>The existing protocol on working with outside bodies is being extended into a more strategic partnership document</p>



***Taking informed and transparent decisions which are subject to effective scrutiny and management of risk***

<b>Supporting principles</b>	<b>Specific requirements</b>	<b>How we are achieving this</b>
<p>Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.</p>	<p>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall and that of any organisation for which it is responsible.</p> <p>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</p> <p>Put in place arrangements to safeguard Members and officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</p> <p>Develop and maintain an effective Audit Committee, which is independent of the executive and scrutiny functions, or make other appropriate arrangements for the discharge of the functions of such a Committee.</p> <p>Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</p>	<p>Terms of Reference for Overview and Scrutiny Committee and Standing Panels; annual scrutiny review process</p> <p>Established procedures for publishing and publicising decisions by the Council, Committees and Panels, and Portfolio Holders; webcasting of meetings</p> <p>Member and officer Codes of Conduct</p> <p>Terms of reference and membership of the Audit and Governance Committee supported by the officer Corporate Governance Group</p> <p>Compliments and Complaints procedure supported by a dedicated officer, publication of statistics</p>
<p>Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p>	<p>Ensure that those making decisions, whether for the Authority or the partnership, are provided with information that is fit for the purpose, relevant and timely, and gives clear explanations of technical issues and their implications.</p> <p>Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making, and used appropriately.</p>	<p>Member induction and training Data Quality Strategy</p> <p>Key reports are subject to review by relevant officers or Corporate Executive Forum</p> <p>Appropriate reference in reports and in the record of decision making</p>

<p>Ensuring that an effective risk management system is in place.</p>	<p>Ensure that risk management is embedded into the culture of the Authority, with Members and officers at all levels recognising that risk management is part of their role.</p> <p>Ensure that effective arrangements for whistle blowing are in place to which officers and all those contracting with or appointed by the Council have access.</p>	<p>Constitution Corporate Risk Management Strategy Member and officer risk champions Service Business Plans</p> <p>Anti-fraud and corruption policy</p>
<p>Using the Authority's legal powers to the full benefit of the residents and communities in the District.</p>	<p>Actively recognise the limits of lawful activity placed on the Authority by, for example, the ultra vires doctrine, but also strive to utilise the Authority's powers to the full benefit of the residents of the District.</p> <p>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on the Council by public law.</p> <p>Observe all specific legislative requirements placed upon the Council, as well as the requirements of general law and, in particular, integrate the key principles of good administrative law (rationality, legality and natural justice) into the Council's procedures and decision making processes.</p>	<p>Constitution Monitoring Officer role Application of statutory provisions</p> <p>As above</p> <p>As above</p>

<b><i>Developing the capacity and capability of members and officers to be effective</i></b>		
<b>Supporting principles</b>	<b>Specific requirements</b>	<b>How we are achieving this</b>
Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	<p>Provide induction and training programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis.</p> <p>Ensure that the Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Authority.</p>	<p>Induction and training programmes for Members and officers, Leadership and Management Development Programmes</p> <p>Constitution Personal specifications Induction and training programmes</p>
Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	<p>Assess the skills required by Members and officers and develop those skills to enable roles to be carried out effectively.</p> <p>Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</p> <p>Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual Members, and agreeing an action plan to address any training or development needs.</p>	<p>Member training programme Officer Learning and Development Plan Officer appraisals (PDRs)</p> <p>As included above</p> <p>Member training programme Annual Report of the Executive</p>
Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	<p>Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council.</p> <p>Ensure that career structures are in place for Members and officers to encourage participation and development.</p>	<p>Establishment of Youth Council Representation of independent people and interest groups on Committees, Panels and Action Groups Consultation strategy Website; Webcasting of meetings</p> <p>Training programmes, Succession planning, Leadership and Management Development Programmes</p>

***Engaging with local people and other stakeholders to ensure robust public accountability***

<b>Supporting principles</b>	<b>Specific requirements</b>	<b>How we are achieving this</b>
<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</p>	<p>Make clear to the Council and its staff the ways in which the Council is accountable to residents, communities and other stakeholders.</p> <p>Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required.</p> <p>Produce an annual report on the activity of the scrutiny function.</p>	<p>Community Strategy, Customer Charter Council Plan Best Value Performance Plan Service Plans Key Performance Indicators Officer appraisals (PDRs)</p> <p>Communication and Consultation Strategies Local Strategic Partnership Partnership protocols</p> <p>Annual report of Scrutiny</p>
<p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning.</p>	<p>Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively. Furthermore, to hold meetings in public unless there are good reasons for confidentiality.</p> <p>Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively, recognise that different sections of the community have different priorities, and establish explicit processes for dealing with these competing demands.</p> <p>Establish a clear policy on the types of issues the Council will meaningfully consult on, and engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.</p>	<p>Communication strategy is in development Consultation strategy Webcasting of meetings</p> <p>Race Equality Scheme Gender Equality Scheme Disability Equality Scheme Corporate Equalities Action Plan</p> <p>Youth Council Consultation strategy Partnership policy is in development</p>

***Engaging with local people and other stakeholders to ensure robust public accountability***

<b>Supporting principles</b>	<b>Specific requirements</b>	<b>How we are achieving this</b>
Continued..	<p>On an annual basis, publish a performance plan giving information on the Authority, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</p> <p>Ensure that the Council, its officers and partner representatives are open and accessible to the community and service users. Furthermore, to ensure that the Council has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p>	<p>Council Plan Best Value Performance Plan Service Plans Annual Report</p> <p>Constitution Council Plan Communication strategy Race, Gender and Disability Equality Schemes Freedom of Information Act arrangements</p>
Making best use of human resources by taking an active and planned approach to meeting their responsibilities to staff.	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	<p>Constitution Joint Consultative arrangements Learning and Development Programmes EFDC Training and Development Policy HR Policies Investors in People process</p>

<b>Governance Statement Action Plan 2008/09</b>					
<b>Item</b>	<b>Recommendation</b>	<b>Priority 1 = High 2 = Med 3 = Low</b>	<b>Responsibility</b>	<b>Comments/Source</b>	<b>Actioned by/ Review Date</b>
Governance	To promote a culture of good governance amongst all employees of the Authority, particularly in relation to ethical conduct (gifts and hospitality), and support to the Authority's anti-fraud and corruption policy.	1	Service Directors	Use of Resources KLOE Internal Audit Report	Ongoing
Treasury Management	To monitor compliance with the action plan in the Internal Audit Report, by all staff with responsibilities for treasury management activities.	1	Director of Finance and ICT	Internal Audit Report	Ongoing
Financial Reporting	To deliver the action plan in the External Audit ISA 260 report, regarding the need for improved processes for the closure of accounts for 2008/09.	1	Director of Finance and ICT	External Audit ISA 260 Report	31 March 2009 Actioned
Data Security	To deliver the action plans in the Internal Audit Reports.	2	Assistant Director (ICT)	Internal Audit Reports	30 Sept 2009

## Governance Statement Action Plan 2008/09

Item	Recommendation	Priority 1 = High 2 = Med 3 = Low	Responsibility	Comments/Source	Actioned by/ Review Date
Compliance with Financial Regulations and Contract Standing Orders	To promote good practice and re-issue guidance notes as appropriate.	2	Chief Internal Auditor	Internal and External Audit Reports	Ongoing
Estates Management	To monitor Estates Management performance and compliance with the agreed actions in the Internal Audit Report.	2	Director of Corporate Support Services	Internal Audit Report	30 Sept 2009
Building Maintenance	To monitor the implementation of the strategy to re-organise the service.	2	Director of Housing	Cabinet Report and minutes	30 Sept 2009
Use of Consultants	To monitor compliance with the revised guidance for the engagement of consultants and temporary staff.	2	Service Directors	Council Reports and minutes Internal Audit Report	31 Dec 2009