CANNOCK CHASE COUNCIL

COUNCIL

24 AUGUST 2011

REPORT OF CHIEF EXECUTIVE

ANNUAL GOVERNANCE STATEMENT

KEY DECISION – NO

1. **Purpose of Report**

1.1 To present to Council for approval the Annual Governance Statement for 2010-11 as considered by the Audit & Governance Committee on 27 June 2011.

2. **Recommendation(s)**

2.1 That Council approves the Annual Governance Statement for 2010-11.

3. **Summary (inc. brief overview of relevant background history)**

3.1 On 27 June 2011, the Audit & Governance Committee considered a number of reports which support the production of the Annual Governance Statement, ie:

- the Strategic Risk Register;

- the Review of the Effectiveness of Internal Audit; and

- the Annual Internal Audit Report

3.2 Having discussed and noted these reports and the supporting information provided with the report on the Annual Governance Statement, the Audit & Governance Committee recommend to Council the approval of the Annual Governance Statement 2010-11.

3.3 The Annual Governance Statement will accompany the Council's Statement of Accounts in due course.

3.4 A copy of the full report provided to the Audit & Governance Committee on the Annual Governance Statement 2010-11 is attached at Appendix 1.

4. **Key issues and Implications**

4.1 The Accounts and Audit Regulations 2011 require the Council to review at least once in a year of the effectiveness of its system of internal control and to approve an Annual Governance Statement (AGS).

4.2   Following approval of the Annual Governance Statement it should be signed by the most senior officer and the most senior Member of the Council ie the Chief Executive and the Leader of the Council.

5.   Conclusions and Reason(s) for the Recommendation(s)

5.1   The Annual Governance Statement 2010-11 represents the outcome of the annual review of the Council's system of internal control and governance arrangements. It details a number of significant issues which need to be addressed. Progress in addressing these issues will be monitored and reported quarterly to the Audit & Governance Committee.

6.   Other Options Considered

Not applicable

7.   Report Author Details

Judith Aupers, Head of Governance, Extension 4411

8.   List of Background Papers

Annual Internal Audit Report 2010-11
Strategic Risk Register
Directors and Managers Assurance Statements for 2010-11
Code of Governance Self-Assessment

9.   Report History

Council Meeting	Date
Audit & Governance Committee	27 June 2011

10.   Appendices to Report

Appendix 1 – Report to Audit & Governance Committee 27 June 2011 – Annual Governance Statement 2010-11, which includes:

- Annex 1 - Annual Governance Statement for 2010-11
- Annex 2 - Summary of Code of Governance Self-Assessment

CANNOCK CHASE COUNCIL

AUDIT & GOVERNANCE COMMITTEE

27TH JUNE 2011

REPORT OF THE CHIEF EXECUTIVE

ANNUAL GOVERNANCE STATEMENT FOR 2010-11

1. **Purpose of Report**

1.1 To present to the Audit & Governance Committee for consideration the Annual Governance Statement for 2010-11.

2. **Recommendations**

2.1 That the Committee recommend to the Council the approval of the Annual Governance Statement for 2010-11.

3. **Key Issues**

3.1 The Accounts and Audit Regulations 2011 require the Council to review at least once in a year of the effectiveness of its system of internal control and to approve an Annual Governance Statement (AGS).

3.2 The AGS needs to include the following information:

- An acknowledgement of responsibility for ensuring that there is a sound system of governance.
- An indication of the level of assurance that the systems and processes that comprise the governance arrangements can provide.
- A brief description of the governance framework.
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements.
- An outline of actions taken or proposed to deal with any significant governance issues.

3.3 Following approval of the Annual Governance Statement it should be signed by the most senior officer and the most senior Member of the Council ie the Chief Executive and the Leader of the Council.

3.4 The Annual Governance Statement for 2010-11 has been produced based on the outcomes of:

(i) the work of Internal Audit;
(ii) a review of the Council's strategic risk register;

(iii)   assurance statements produced by the Chief Executive, Corporate Director and Heads of Service;

(iv)   assurance statements produced by the Statutory Officers ie s151 Officer and the Monitoring Officer;

(v)   the work of external audit and other inspection agencies; and

(vi)   a self-assessment against the Council's Code of Governance.

3.5   A copy of the Annual Governance Statement for 2010-11 is attached at Annex 1 for Members consideration.

3.6   Progress in addressing the significant issues identified in the Annual Governance Statement will be monitored through regular reports presented to the Audit and Governance Committee.

4.   Background to the Annual Governance Statement

4.1   The Accounts and Audit Regulations (England) 2011 require local authorities to publish a Annual Governance Statement with their financial statements. Regulation 4 states that:

"(1)   The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

(2)   The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

(3)   The findings of the review referred to in paragraph (2) must be considered—
(a)   in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and
(b)   in the case of a smaller relevant body, by the members of the body meeting as a whole, and following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(4)   The relevant body must ensure that the statement referred to in paragraph (3) accompanies—
(a)   any statement of accounts it is obliged to prepare in accordance with regulation 7, or
(b)   any accounting statement it is obliged to prepare in accordance with regulation 12."

4.2   Proper practice has been determined as being the Cipfa/SOLACE guidance on Corporate Governance.

4.3   In practice the production of an Annual Governance Statement brings together and evidences many of the processes already in place across the Council for reviewing the effectiveness of the governance framework.

4.4   Cipfa has produced guidance and a pro-forma Annual Governance Statement and this has been followed in producing the statement for 2010-11.

4.5   In preparing the Annual Governance Statement, consideration has also been given to the "Application Note to Delivering Good Governance in Local Government: a Framework" issued by Cipfa and SOLACE in March 2010. The application note updates previous guidance to reflect the key role that the Chief Financial Officer plays in ensuring good governance, which is based on Cipfa's "Statement on the Role of the Chief Financial Officer in Local Government (2010)". Furthermore, when updating the assessment against the Council's Code of Governance, an assessment has been made of compliance with the expanded/additional governance requirements from the Chief Financial Officer statement.

4.6   A range of sources of assurance has been used in compiling the Annual Governance Statement. The key sources this year being:-

(i)   **Management** – Senior managers are charged with the responsibility of ensuring that policies within their service area are complied with and are held accountable for their actions/operations in delivering the service and achieving objectives. The Chief Executive, Corporate Director and Heads of Service were asked to provide an Assurance Statement to document the assurance that they could give for the system of internal control and governance framework in place in their service area. In providing the Assurance Statement, senior officers were asked to identify any material issues where they consider the controls are not adequate or are absent. In providing such assurance statements it is accepted that senior officers can only be expected to give reasonable assurance for their service area of activity and not a full guarantee.

(ii)   **The Chief Financial Officer and the Monitoring Officer -** the statutory functions undertaken by these two officers provide a key source of assurance that the systems and procedures of internal control that are in operation are effective, efficient and are being complied with on a routine basis. Both officers have been consulted on the Annual Governance Statement and have provided an Assurance Statement.

(iii)   **Internal Audit** - *The Code of Practice for Internal Audit in Local Government in the United Kingdom* (the Code) defines Internal Audit as "…an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources." Internal Audit produces an annual report that gives a summary of its work and provides an independent and objective opinion on the authority's activities. The annual report and the work of Internal Audit have been used to inform the Annual Governance Statement.

(iv)   **External Audit and Other Review Agencies/Inspectorates** – assurance can be taken from the work of external bodies such as the Council's external auditors though it is important to recognise that their work does not cover the full range of activities and risks and that external auditors are not required to form an opinion on the effectiveness of the relevant body's corporate governance procedures or its risk and control procedures. For 2010-11, work undertaken by the Audit Commission for the Council's VFM conclusion has been used to inform the Annual Governance Statement.

(v) **Risk Register** – the Council's strategic risk register details those issues considered to be a risk which may prevent the Council from achieving its corporate objectives and outlines the controls in place to mitigate those risks. The register has been reviewed and those high risks considered to be a significant governance issue have been included in the Annual Governance Statement. There is a separate report on the Strategic Risk Register on the Committee's agenda.

(vi) **Code of Corporate Governance** – a self assessment of compliance with the Code of Corporate Governance has been undertaken.   A summary of the self-assessment is given in Annex 2.

4.7 The Annual Governance Statement has been prepared using information from the sources of assurance outlined in 4.6 above. The Statement has also been discussed with the Leadership Team to ensure that:-

- all of the significant issues have been identified and included, so far as is reasonably possible; and

- all of the issues included are considered to be significant.

4.8 It is not possible to give a single definition as to what constitutes a "significant governance issue" and judgement has to be exercised. Factors used in making such judgements include:-

- the issue has seriously prejudiced or prevented achievement of a principal objective;

- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another service area;

- the issue has led to a material impact on the accounts;

- the Chief Internal Auditor has reported on it as significant, for this purpose, in the Internal Audit Annual Report;

- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the Council;

- the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

4.9 Progress in addressing the significant governance issues outlined in the Annual Governance Statement will be monitored and reported on to the Audit and Governance Committee.

4.10 In addition to the requirement to produce an Annual Governance Statement, Regulation 6 of the Accounts and Audit Regulations 2011 also require that:

"(1) A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

(3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.

(4)   *The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 4(3), by the committee or body referred to in that paragraph.*

A review of the effectiveness of the system of internal audit has been undertaken to ensure that reliance can be placed on the work of internal audit and its contribution to the Annual Governance Statement. The review has concluded that the system of internal audit can be relied upon. Details of this review are given in a separate report on the agenda.

5.   Risk Management Implications

5.1   The significant issues identified the Annual Governance Statement highlight weaknesses in the Council's governance framework. If these issues are not addressed then the Council could be facing a range of risks including, in a worst case scenario, breaches of legislation, breaches of internal procedures/guidelines, financial losses, insurance claims, etc. The actions identified for each significant issue will, if implemented, minimise the risks faced by the Council.

5.2   No system of review can give full assurance that all risks have been minimised and all controls have been operating effectively throughout the year; only reasonable assurance can be given.

6.   Legal Implications

6.1   The Council is charged with various statutory duties and responsibilities and is further required to account for the manner and way in which it discharges those duties and responsibilities. There is a statutory duty on the Council to consider its processes carefully and where potential deficiencies are found, to take prompt action to address the same. As a public body, it is of paramount importance that the integrity of the Council is maintained and that all reasonable, appropriate and proportionate steps are taken to ensure that the deficiencies identified are remedied.

6.2   The Council inevitably exposes itself to potential criticism and litigation should its internal controls fail or be found to be inadequate. Key issues have been identified which have the potential to expose the Council, and in some respects its' staff, to potential civil and criminal action.

6.3   Inadequacies in internal control, if not addressed, pose a real and likely litigation risk. The extent and nature of such risks will vary depending on the nature and extent of the deficiency and the resulting damage/loss (if relevant).

6.4   However, the suggested action to be taken to address the internal control issues will assist greatly in minimising the risks and potential legal implications identified.

7.   Financial Implications

7.1   There are no financial implications arising directly from this report. It is also anticipated that managers will implement the AGS recommendations within existing budgets.

8.   **List of Background Papers**

Annual Internal Audit Report 2010-11
Strategic Risk Register
Directors and Managers Assurance Statements for 2010-11
Code of Governance Self-Assessment

9.   **Annexes to the Report**

Annex 1   –   Annual Governance Statement for 2010-11
Annex 2   –   Summary of Code of Governance Self-Assessment

10.   **Report Author Details**

Judith Aupers, Head of Governance, Extension 4411

**CANNOCK CHASE DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2010-11**

1.   Scope of responsibility

1.1   Cannock Chase District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2   In discharging this overall responsibility, the 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.

1.3   The 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.* This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

2.   The purpose of the governance framework

2.1   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.

2.2   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.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

3.   The Governance Framework

3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are:

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

    ♦ The Council's vision and the intended outcomes for citizens and service users are outlined in the Corporate Plan.

    ♦ The Council publishes a Forward Plan which contains details of key decisions to be made by the Cabinet;

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

    The Council's vision and its priorities are reviewed annually. The Council's objectives are approved following consultation and incorporated into the Corporate Plan and the Community Strategy. The objectives are cascaded through the authority via the Corporate Plan, the Priority Delivery Plans, Delivering Change, service delivery plans and employees' personal development reviews. Forward-looking targets and performance indicators are established and monitored closely on a regular basis by Service Managers, Heads of Services, the Leadership Team (formerly the Directors' Management Team), Cabinet and the Scrutiny Committee. The Council's budget is aligned to the Council's aims and objectives. The Council has a comprehensive budget strategy, medium term financial plan and robust budget monitoring process, which provides sound financial management and regular reporting of financial management information for both revenue and capital budgets.

- 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

    ♦ A range of Policy Development Committees assist in supporting the performance monitoring of Priority Delivery Plans. The Committees also review specific policy areas and explore community issues.

♦ The Council has a performance management framework that is driven by the Corporate Plan and Priority Delivery Plans, which focus on corporate priorities. Performance management is cascaded through service business plans and individual employee personal development reviews. Directors' Management Team, Cabinet and the Scrutiny Committee receive performance reports on a regular basis. They monitor and scrutinise the performance of services and the achievement of targets. The Policy Development Committees also assist in performance monitoring the relevant Priority Delivery Plans. Portfolio Leaders, Directors, Heads of Service and Service Managers are held to account for the performance of their service areas.

♦ The Council has a number of mechanisms in place to ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its services are delivered:

➢ Continuous improvement is driven via the Corporate Plan, the Priority Delivery Plans and the Council's performance management system. This provides monitoring reports to Directors, Cabinet, the Scrutiny Committee and the Policy Development Committees;

➢ The Council's Delivering Change process enables resources to be re-directed to meet Council priorities and requires services to identify and deliver year-on-year efficiency savings.

➢ The Council has a methodology for ensuring value for money in service delivery.

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

The Council's Constitution defines the roles and responsibilities of the executive, non-executive, scrutiny and officer functions. The Council also has in place a protocol to define the role of the Monitoring Officer. The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It includes the Scheme of Delegation which outlines those decisions that can be made by officers without the need for Members' approval.

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

  The Council has adopted the National Code of Conduct for Members and has put in place a Code of Conduct for Employees. A Member/Officer protocol is also in place. Members are given a copy of the Code of Conduct as part of their induction pack and training is offered annually on the Code and whenever changes are made to it. Employees are given a copy of the Code of Conduct as part of the induction process.

- 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 Scheme of Delegation, Financial Regulations and Contract Procedure Rules are reviewed periodically. The Constitution gives guidance on how decisions are taken and this is supported by the Scheme of Delegation. The Council has a risk management policy, strategy and methodology.

- 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)

  The Head of Financial Management has been designated as the s151 Officer for the Council. The Head of Financial Management is a member of Directors' Management Team and as such is able to bring influence to bear on material decisions taken by the Council. The Head of Financial Management ensures that there is a robust financial framework and medium term financial strategy in place.

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

  The Council has in place an Audit & Governance Committee, which is responsible for providing independent assurance of the adequacy of the risk management framework and the associated control environment. The Committee meets the key requirements of the CIPFA guidance on Audit Committees.

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

  ➢ The Council has designated the Head of Law & Administration from Stafford Borough Council as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with existing laws, regulations and established policies and procedures and is aware of and acts upon proposed changes to legislation.

The Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the process or decision being implemented until the report has been considered. A solicitor attends all of the Council's main committee meetings. Legal and financial implications are included in all committee reports.

➢ The Council has designated the Head of Financial Management, as the Responsible Financial Officer, in accordance with s151 of the Local Government Act 1972. The Head of Financial Management ensures that the financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution and that expenditure is lawful. The Head of Financial Management attends the meetings of the Directors' Management Team.

➢ The Head of Financial Management, with the assistance of the Internal Audit section, ensures the legality of financial transactions and compliance with Financial Regulations;

➢ Internal Audit review systems and their controls to provide assurance and recommendations for improvement. This work includes ensuring compliance with policies, procedures, laws and regulations. Internal Audit operates to an annual audit plan which is based on an assessment of risk to ensure that the areas of highest risk are reviewed;

➢ Council services are provided by trained and experienced people. All posts have a detailed job description and person specification. Rigorous recruitment processes are in place followed up by induction training and on going training and development in line with Investors in People. A competency framework is in place and this outlines the knowledge and skills expected of the Council's managers.

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

  The Council has in place a Confidential Reporting policy. The policy allows anyone to report concerns in confidence and not just employees. The Anti-Fraud & Corruption Policy includes a Fraud Response Plan and a Prosecution Policy. Procedures are in place for receiving and investigating complaints received.

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

  The Council was accredited through Investors in People until 23 February 2011 and continues to maintain a comprehensive framework to ensure that it's employees are adequately trained. The development needs of managers are identified annually through the Personal Development Review process and an assessment against the competencies framework.   Training and development activities are also provided for Members.

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

  The Council has a variety of mechanisms in place to communicate with the community and other stakeholders. These include the Citizens Panel, Community Forums, specific groups, the Housing Hometalk magazine and the Council newspaper Chase Matters. Meetings are open to the public except where personal or confidential matters are being disclosed.

- 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.

  Appropriate governance arrangements are put in place for each partnership eg the LAA, LSP. Service Level Agreements have been put in place to ensure adequate governance of the 7 services which are now shared with Stafford Borough Council.

4. Review of effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is ongoing throughout the year and includes:

- the Authority

  The Head of Governance and the Monitoring Officer, on behalf of the Council, undertakes reviews of the Council's governance arrangements on an ongoing basis. Work to support this includes a self-assessment review against the Code of Corporate Governance, review of the Constitution, Financial Regulations and the Scheme of Delegation and reviews of policies, processes and practices throughout the year.

- the Executive

  The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance and financial management reports. Individual Cabinet members receive regular feedback on the progress of objectives for their portfolios from the senior officers. Issues of strategic and corporate importance are referred to the Cabinet. There is a formal Shadow Cabinet in place, which receives equal information to the Cabinet and provides an opportunity to challenge decisions and how they are made.

- the audit and governance committee/overview and scrutiny committee

  The Audit & Governance Committee receives quarterly reports on:

  ➢ the work of internal audit in reviewing the systems and processes to ensure that they are adequate; and

  ➢ updates on the management of the Council's strategic risks. A strategic risk register is in place, which identifies and evaluates the risks faced by the Council in delivering its objectives. Work is ongoing to review and address these risks and update the risk register accordingly

  The Committee is also responsible for overseeing the Council's governance arrangements.

  The Scrutiny Committee reviews decisions made by Cabinet and areas of concern. The subjects for the areas of concern are informed from corporate community consultation, direct feedback to members from the citizens of the Community, performance management and the results of review and inspection (both external and internal). The Scrutiny Committee can "call-in" a decision that has been made by the Cabinet when they consider the decision is not in accordance with the Council's Constitution. The Scrutiny Committee considers regular performance management and financial information reports from senior management.

The Policy Development Committees undertake reviews of issues that are important to the local community, researching best practice and recommending changes for improvements.

- the standards committee

The Standards Committee is responsible for the ethical framework of the Council. The Committee works closely with the Monitoring Officer in dealing with complaints about Members conduct and promoting high standards of conduct.

- Chief Financial Officer (s151 Officer)

The s151 Officer has overall responsibility for the financial management of the Council. Throughout the year the s151 Officer ensures that the financial position of the Council is monitored, that consideration is given to financial implications when taking decisions and with the support of internal audit that financial processes are complied with.

- Internal Audit

Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. Internal Audit reports on the results of each audit to the service manager, Head of Service, the Director and where appropriate and the Head of Financial Management (as the s151 Officer). The audit reports include recommendations for improvements that are included in an action plan and require management agreement or rejection. Follow-up reviews are undertaken to check that recommendations are acted upon. The work undertaken on the annual audit plan for 2010-11 has been used to provide an independent view on the adequacy of the governance framework.

Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom. Internal Audit is subject to regular reviews by the Council's External Auditors who place reliance on the section's work.

A review of the effectiveness of internal audit has been undertaken. This review has been undertaken via a self-assessment and a review by the Audit, Risk and Business Continuity Manager (formerly employed by Stafford Borough Council) and the Head of Governance, together with discussions with the Head of Financial Management. The review concluded that the system of internal audit is operating effectively and assurance can be taken from the work of Internal Audit

- other explicit review/assurance mechanisms.

  The review process is ongoing throughout the year and includes:-

  ➢ Performance (including finance) is managed by Service Managers and Heads of Service.

  ➢ The provision of performance management reports to the Scrutiny Committee and the Directors' Management Team.

  ➢ Individual Cabinet members receive feedback from the senior officers within their portfolios on the delivery of services and the achievement of objectives and targets. Issues of strategic and corporate importance are referred to the Cabinet and Council where appropriate.

  ➢ The Head of Financial Management produces a corporate financial report, which is reported to DMT quarterly, Cabinet Briefing, Cabinet and Shadow Cabinet as appropriate.

  ➢ The Council has over the past few years received positive Annual Audit letters from the External Auditor, which includes unqualified accounts.

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

Significant governance issues

Outlined below are the significant governance issues that have been identified, together with the actions planned to address them:

No	Issue	Action
1	The approach to understanding and aligning costs and performance information for services/activities is not consistent across the Council. This impacts on decision-making and assessing the value for money of services.	Pilot scheme to be set up to establish a consistent approach to aligning cost and performance information for services/activities. Responsible Officer – Heads of Policy, Finance and Governance Date – December 2011

No	Issue	Action
2	The governance arrangements for partnerships are not always clearly structured, documented or effective. Partnership risks are not fully understood or well managed.	Governance framework to be developed for partnership working and rolled out to relevant partnership lead officers for implementation. To include requirement to set up and monitor risk registers for each partnership. Responsible Officer – Head of Governance Date – October 2011
3	The Council's approach to understanding it's customers needs and consulting and engaging with them is not yet fully developed and embedded across the Council.	A combined Consultation & Engagement Strategy is to be prepared together with an improvement plan, which is to be rolled out corporately. Responsible Officer – Head of Policy Date – December 2011
4	There are elements of the Constitution that are in need of updating to reflect changes and best practice. For example, the Scheme of Delegations needs to be updated to reflect the recent changes in the senior management structure, as do the Contract Procedure Rules and Financial Regulations. Work has commenced on reviewing and updating the Constitution but is not yet complete. Some amendments which were necessary to ensure compliance with the law have been completed and approved by Council.	The review and updating of the Constitution is to be completed. Responsible Officer – Head of Law & Administration (Stafford Borough Council) Head of Financial Management (for Financial Regulations only) Date – September 2011

No	Issue	Action
5	Operational Risk Registers are not being maintained up-to-date	Managers are to be reminded of the need to undertake regular reviews of operational risk registers
		Responsible Officer – Risk & Resilience Manager
		Date – July 2011
		Review of approach to operational risk management
		Responsible Officer and Date – to be determined by the Shared Service Transformation Plan
6	Shared Services Agreements have been completed with Stafford Borough Council. The agreements make provision for the governance of the sharing arrangements but these should be reviewed to ensure that the governance arrangements are working in practice.	Review of the shared service governance arrangements.
		Responsible Officer: Monitoring Officer and Head of Governance
		Date – January 2012

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. We will monitor their implementation and operation throughout the year and as part of our next annual review.

Signed:

………………………………………………… ………………………….

Leader of the Council   Date

………………………………………………… ………………………….

Chief Executive   Date
on behalf of Cannock Chase District Council

Code of Corporate Governance
Summary of Self-Assessment for 2010-11

A review has been undertaken by senior governance officers of compliance with the Council's Code of Corporate Governance.

In summary the Council is complying with the Code of Corporate Governance, it has adequate measures in place and these are generally operating effectively. There is however, inevitably, room for improvement.

Outlined below, against each of the six principles of the Code of Corporate Governance, is a summary of the extent of our compliance with the Code.

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

   Compliance against this principle is good with adequate measures in place in all areas but with some minor areas for improvement in effectiveness.

   The Council has a Corporate Plan which outlines its vision and priorities and this is developed in consultation with the community, key stakeholders and partners. The Corporate Plan includes priority delivery plans which outline how the Council's priorities will be delivered.

2.   Members and officers working together to achieve a common purpose with clearly defined functions and roles

   Compliance against this principle is good with adequate measures in place in all areas but with some areas for improvement in effectiveness.

   The Constitution clarifies the roles and responsibilities of the Executive and Committees. Job descriptions are in place for employees. There is a scheme of delegation in place which outlines those decisions and activities that can be undertaken by officers; this has been under review in 2010-11, as it is out of date following changes in the senior management structure. Statutory officers are in place to ensure proper financial management and compliance with the law. There is a Member/Officer Protocol in place to ensure effective working relationships.

   A Governance Framework for Partnerships is being developed to ensure greater clarity when working in partnership with other organisations. The review of the Scheme of Delegations is to be completed in June 2011 and updated to reflect the changes in the Senior Management Structure.

3. **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

   Compliance against this principle is adequate but with some minor areas for improvement in effectiveness
   .
   The Council has a defined set of values and Codes of Conduct for Members and employees.

   The Council's values are to be included in the partnership governance framework and are to be promoted to Members, employees and the community.

4. **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

   Compliance against this principle is good with adequate measures in place in all areas but with some minor areas for improvement in effectiveness.

   The Council has adequate scrutiny arrangements. Adequate information is provided to decision makers in the form of reports which include robust financial and legal implications. A solicitor attends all Committee meetings to ensure that decisions are lawful. Officers and Members are risk aware to a degree, but risk management is not yet fully embedded in the Council's culture.

   A review of the Council's approach to operational risk management is to be undertaken and promoted.

5. **Developing the capacity and capability of Members and Officers to be effective**

   Compliance against this principle is good but with some minor areas for improvement in effectiveness.

   There is a robust framework in place to develop the capacity and capability of employees. All employees have a Personal Development Review each year, funding is made available for training through service budgets and a corporate training budget, training for professional qualifications is made available where appropriate and there is a compulsory induction programme.

   For Members, there is a compulsory induction programme and training is mandatory for sitting on certain regulatory committees such as planning. Members tend to assess their own skills and training needs and request training as appropriate. For new issues, training is offered to Members as appropriate.

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

Compliance against this principle is adequate with measures in place in most areas but with some areas for improvement in effectiveness.

The Council undertakes consultation with the community and stakeholders through a variety of mechanisms eg Citizens Panel, Community Forums.
The approach is not yet fully developed and embedded. A Consultation & Engagement Strategy and an improvement plan are to be developed to address this.

The Role of the Chief Finance Officer in Good Governance

The self-assessment of compliance against the Council's Code of Governance also includes an assessment of compliance with Cipfa's "Statement on the Role of the Chief Financial Officer in Local Government (2010)", which has been included in the "Application Note to Delivering Good Governance in Local Government: a Framework" issued by Cipfa and SOLACE in March 2010. .

The self-assessment has concluded that compliance with the Statement is good. The Head of Financial Management has been designated as the s151 Officer for the Council. The Head of Financial Management is a member of the Leadership Team (formerly Directors Management Team) and as such is able to bring influence to bear on material decisions taken by the Council. The Head of Financial Management ensures that there is a robust financial framework and medium term financial strategy in place.