AUDIT AND GOVERNANCE COMMITTEE 28 June 2013

ANNUAL GOVERNANCE REVIEW / ANNUAL GOVERNANCE STATEMENT

Report of the Executive Director of Commercial and Corporate Services

1.   Purpose of Report

1.1   This report provides details of the 2012/2013 Annual Governance Review, the Corporate Assurance Map at the end of the year and the Internal Audit opinion on the adequacy of the overall system of internal control. A Draft Annual Governance Statement and a draft revised Local Code of Corporate Governance are included as well as an improvement plan for the year ahead.

2.   Description of Decision

2.1   The Audit and Governance Committee are asked to consider the report and agree the improvement plan, revised Local Code of Corporate Governance and draft Annual Governance Statement.

3.   Background

3.1   In March 2012 the Committee approved the proposed Corporate Assurance Map for 2012/13 and the plans of work for Internal Audit and Risk & Assurance.

3.2   A key feature of the integrated assurance framework is to co-ordinate assurance that could be provided by other sources within the Council and external sources. The results of this assurance work are used to review the Council's corporate governance arrangements on an annual basis.

3.3   The Local Code of Corporate Governance is reviewed annually to ensure that it is up to date and effective. The Council is also required to publish an Annual Governance Statement (AGS), with its Statement of Accounts which must be supported by a comprehensive assurance gathering process.

4.   Annual Governance Review 2012/13

4.1   The review was undertaken by gathering assurance throughout the year from a number of sources via the Integrated Assurance Framework, and was led by the Corporate Assurance Group (CAG), which is chaired by the Head of Corporate Assurance and Procurement and made up of senior staff from across all directorates, as well as relevant specialists.

4.2   The review has considered assurance provided from:

- Members, through the Members Survey
- Heads of Service throughout the year
- Executive and Corporate Directors
- Specialist functions who have an oversight of the Council's governance arrangements
- Risk and Assurance Team
- Internal Audit
- External Auditor
- Other external agencies such as OFSTED

Feedback from Members

4.3   The Members Survey asks Members for their views on a number of different areas, including governance arrangements and role clarity. This area asks Members about how clear they are about their role and the governance arrangements in place within the Council. Members are also asked if they are sufficiently supported to carry out their role and are briefed appropriately. Positive responses were received to all of the questions in this area.

Corporate Assurance Map

4.4   The assurances gathered have been shown in a Corporate Assurance Map which has been updated and reviewed by the CAG on a quarterly basis and presented to the Audit and Governance Committee throughout the year. The Audit and Governance Committee have monitored the assurances provided, received progress regarding specific issues and considered the performance of the Internal Audit team.

4.5   The improvement plan agreed following the 2011/2012 Corporate Governance Review included 10 actions. The CAG reviewed progress on these actions and found that all were either complete or well progressed.

4.6   From the work undertaken, the Corporate Assurance Map as at 31st March 2013 is shown overleaf.

Corporate Assurance Map

Assurance Position (as at 31st March 2013) (Cumulative)	2012/2013									
	Management Assurance	Other Internal Assurance Activity						Risk and Assurance	Internal Audit	External Assurance
		Legal Services	Financial Resources	Transformation Programmes and Projects	Strategy, Policy and Performance	HR &OD	Business Continuity			
Strategic Risk Areas										
Economy								Amber		
Resources (external and internal)			Green					Amber		Green
Unable to meet needs of the community								Green		
Reputation								Green		
Social breakdown								Amber		
Lack of effective strategic partnerships								Green		
Planning and responsiveness to national agenda								Amber		
Corporate Risk Areas										
Customer Focus / Service	Green				Green			Green	Green	
Legality		Green						Amber	Green	
Service / Business Planning	Amber				Green			Amber		
Programme and Project Management	Green			Green				Amber		
Change Management	Green			Green		Green		Amber		
Partnerships	Green							Amber		Green
Business Continuity Planning	Green						Amber	Amber		
Procurement	Green							Green		
Relationship and Contract Management		Green	Green					Amber		
Financial Management	Green		Green					Green		Green
Human Resource Management	Green					Amber		Amber		
Information Governance	Green	Amber						Amber		
Performance Management	Amber				Green			Green		Green
Asset Management	Amber							Green		
ICT Strategy and Delivery								Amber		
Fraud and Corruption	Green							Amber		
Risk Management (Service Delivery)	Green							Green		Green
Housing Benefits								Amber		
Schools	Green		Green					Green		

Key: X=activity planned, White=no coverage, Green=full / substantial assurance, Amber=moderate assurance, Red=limited / no assurance
Previously described as: **Good** **Satisfactory** **Unsatisfactory**

<u>Strategic Risk Areas</u>

4.7   The top section of the Map relates to the strategic risks identified in the Corporate Risk Profile. Progress against each of the planned actions to mitigate the risks has been assessed with the lead officers and assurance levels determined for all areas. The overall rating of the strategic risk areas has not changed.

<u>Assurance from Internal Audit</u>

4.8   The Map shows the ongoing opinion of Internal Audit from work undertaken within the last two years plus work completed in 2012/13.

<u>Assurance from Risk and Assurance Team</u>

4.9   Much of the work of the team is ongoing over a period of time due to the nature of their role, however, where ongoing assurance can be provided from their work this is shown on the Map. Assurance work that will be ongoing into 2013/14 includes:

- Support to the development of alternative service delivery projects such as the Local Asset Backed Vehicle, Care and Support Project and the future of ICT delivery.

- Assurance work regarding Equal Pay Claims.

- Assurance on the delivery of the Workforce Transformation project (pay and grading review).

- Supporting the migration of services to the Customer Services Network.

- Supporting the delivery of the Workforce Planning Project.

- Assurance on the delivery of the Council's Transformation Programme.

4.10   The Risk and Assurance Team have also provided support to 28 schools to help them manage their risks. This takes into account assessments undertaken by other departments in the Council. Considering the work done by the Safeguarding, Asbestos, Internal Audit and the Risk and Assurance Team, the overall assessment for schools is considered to be substantial.

<u>Assurance from others within the Council</u>

4.11   Assurance provided from others within the Council is shown in the Corporate Assurance Map above. Given the number of staff who left the Council last October under the severance scheme the Business Continuity Officer has changed the assurance level for business continuity to amber and highlighted that the risk in this area has increased due to service continuity plans not all being updated. This process is ongoing but not completed.

Assurance from Management

4.12   Arrangements have been developed to obtain assurance from service Management in a number of areas. Members will note that the majority of risk areas are shown as having substantial assurance. These assessments have been used to inform the annual assurance statements provided by Executive and Corporate Directors.

Assurance from External Sources

4.13   The Map shows five areas where Full or Substantial assurance has been received from external sources. This relates to the results of the recent OFSTED inspection into safeguarding children and services for children looked after, and the value for money opinion of the Audit Commission. The results of the OFSTED inspection gave an overall rating of 'Good' and specific ratings in relation to the relevant Corporate Risk areas are shown.

Overall

4.14   The overall level of assurance for all risk areas has not changed from the update report presented in March 2013.

Review of the Integrated Assurance Framework

4.15   The Partner organisation, PricewaterhouseCoopers, has carried out a review of the implementation of the Integrated Assurance Framework. The report is included later on the Committee Agenda but in summary, it concludes that good progress has been made so far and a number of recommendations have been agreed to further strengthen the arrangements.

Internal Audit Performance

4.16   All of the targets set for Internal Audit were achieved.

4.17   The original Internal Audit Plan included 75 audits for the Council. Of these 10 were cancelled as follows:

- Four schools converted to Academies during the year.

- Schools Admissions – Internal Audit was to review the new arrangements following a service review to ensure appropriate controls were still in place. The review was not completed and implemented therefore the audit could not take place.

- Early childhood services – this was included in the support provided by the risk and assurance team in relation to responsive local services.

- Traffic Management and Road Safety – being covered by the Risk and Assurance team through involvement in the project to review arrangements.

- Events company – the audit was to review the contract management arrangements with the newly formed Events Company. The company was established in April 2013 and therefore this audit is to be carried out during 2013/14.

- Corporate Performance Management – the arrangements were going through a review so support was provided to this rather than undertaking a formal audit.

- Contract Management Framework – the Council is developing a corporate framework for managing contracts. This was still in development and therefore the audit is to be carried out during 2013/14.

4.18 From the remaining 65 audits, two were ongoing at the end of March giving an achievement of 97% of the revised audit plan. An additional 13 unplanned audits were also completed during the year. Therefore, sufficient audit work has been undertaken to provide an internal audit opinion on the Council's overall system of control.

4.19 It is pleasing to report that the current percentage of medium risk recommendations implemented (excluding schools) stands at 90% - meeting the target.

Counter Fraud / Error Work

4.20 Counter fraud / error work was undertaken in the following areas during the year:

Car Mileage Claims
Honoraria / Pay Protection
Foreign Payments Bank Account
Purchasing Cards
Car Parks Income
Purchasing
BACS Payroll Transactions
Procurement

4.21 Audit work was also commenced in relation to overdrawn establishment / service bank accounts. This was still ongoing at the year end and will be concluded in 2013/14. No fraud was identified although the work identified some opportunities for improvements to the control environment. Substantial assurance is provided regarding the Council's anti fraud and corruption arrangements in the areas examined.

Duplicate Payments

4.22 During the year the Council engaged a company to review the Council's creditor payments to identify any potential duplicate payments and overpaid VAT. The company is paid a small percentage of any monies recovered therefore there is no cost to the Council of undertaking this exercise.

4.23 The table below shows the value of overpayments identified from the various activity, the amount that has been recovered and the amount that has not been able to be recovered:

Description	No. of transactions analysed	Value pf transactions analysed £	Identified No.	Identified £	Repaid £	o/s £
Duplicate payments	612,531	1,114,357,198	43 (0.007%)	60,094 (0.005%)	43,872	16,222
Unclaimed VAT			-	59,106	59,106	0
Total	612,531	1,114,357,198		119,200	**102,978**	16,222

4.24 From the table it can be seen that the Council has recovered £102,978 of overpayments from this exercise. It is intended to complete the exercise again during the current year for a later period. The o/s amount is being reviewed to determine whether it is collectable.

Corporate Governance Improvement Plan

4.25 A small number of improvements were identified to strengthen the arrangements and these are detailed at Appendix 1.

4.26 The Improvement Plan also includes a small number of areas that the Council is already addressing but inclusion in the plan will facilitate monitoring to ensure that the planned actions are delivered within a reasonable timeframe bearing in mind the importance / nature of the actions.

Local Code of Corporate Governance

4.27 The local code of corporate governance was reviewed and updated to reflect current arrangements. The proposed new code is detailed at Appendix 2.

5. Draft Annual Governance Statement

5.1 The Annual Governance Statement has been drafted taking into account the findings of the annual governance review and is attached at Appendix 3.

6. Conclusions

6.1 This report sets out the assurance provided in the Corporate Assurance Map, work undertaken by the Internal Audit team and performance for Internal Audit for 2012/13.

6.2   Results of the work undertaken have not highlighted any issues which affect the opinion that overall throughout the Council there continues to be an adequate system of internal control.

6.3   The Council continues to have robust and effective corporate governance arrangements in place. The views elicited during the review from Members, senior managers across the Council, and all Chief Officers, demonstrate that the principles of good governance continue to be embedded Council-wide.

6.4   Whilst an Improvement Plan has been developed the review has not identified any weaknesses that would need to be highlighted in the Council's Annual Governance Statement.

7.   Recommendations

7.1   The Audit and Governance Committee are asked to note the report and consider the updated Corporate Assurance Map. The Committee is asked to:

- consider and agree the Improvement Plan included at Appendix 1, and the revised Local Code of Corporate Governance at Appendix 2, and recommend them to Cabinet, and

- consider and agree the draft Annual Governance Statement at Appendix 3.

2012/13 Annual Review of Corporate Governance Arrangements - Improvement Plan for 2013/14

Ref	Action	EMT Lead
1.	The corporate toolkit in relation to Alternative Service Delivery Models should continue to be refined as the Council implements new models.	Malcolm Page
2.	The Integrated Assurance Framework should be further developed to clarify the assurance gained from all sources.	Malcolm Page
3.	Implement agreed actions to address budget issues regarding Adult Social Care.	Neil Revely
4.	Ensure that business continuity requirements are adequately considered as staff leave the Council as part of the Workforce Planning Project.	Sue Stanhope
5.	Ensure that Business Continuity Plans are maintained throughout the ongoing transformational / significant changes across the Council.	Janet Johnson

Draft Revised Local Code of Corporate Governance

Introduction

The Council has a corporate governance framework in place which is aimed at ensuring that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The corporate governance framework comprises the systems, processes, cultures and values through which the Council directs and controls its functions, and through which it accounts to, engages with and, where appropriate leads communities.

The Council's corporate governance framework is based upon guidance jointly issued by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) and recommended as best practice.

The framework is based upon the following six core principles:

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

- Members and employees working together to achieve a common purpose with clearly defined functions and roles;

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

- Developing the capacity and capability of members and employees to be effective;

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

Each of these six core principles have supporting principles with associated requirements and the Code sets out how the Council aims to meet these requirements.

The framework is summarised in a table at Annex 1.

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

As part of the Sunderland Partnership the Council has produced the Sunderland Strategy (2008-2025) – the sustainable community strategy which draws together a shared vision, principles for action and priorities for the City. Linked with this the Council's own overarching plan, the Corporate Plan, sets out explicitly the Council's planned key actions and performance targets for the future. Community leadership runs through all the council's work and shapes how we work with our communities. The Council will:

- develop and promote the Council's purpose and vision as a Community Leadership Council.

- review on a regular basis the Council's vision for the local area and its impact on the Council's governance arrangements

- ensure that partnerships are underpinned by a common vision that is understood and agreed by all parties

- publish an annual report on a timely basis to communicate the Council's activities, achievements, financial position and performance incorporated within the Corporate Plan annual update

- 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

- put in place effective arrangements to identify and deal with failure in service delivery

- decide how value for money is to be measured and make sure that it has the information needed to review value for money and performance

Core Principle 2 - Members and employees working together to achieve a common purpose with clearly defined functions and roles

All Council members and key officer roles and functions are set out in the Council's Constitution, there is a protocol on member / employee relations and an agreed set of organisational values underpinning all of the Council's work. The Council will:

- set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and its approach towards putting this into practice
- set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers
- 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

- make the Chief Executive responsible and accountable to the Council for all aspects of operational management
- develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained
- make a senior officer responsible to the Council 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
- make a different senior officer responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with
- develop protocols to ensure effective communication between members and employees in their respective roles
- set out the terms and conditions for remuneration of members and employees and an effective structure for managing the process including an effective remuneration panel
- ensure that effective mechanisms exist to monitor service delivery
- ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated
- when working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council
- when working in partnership ensure that there is clarity about the legal status of the partnership, and ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions

Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

All Council Members and staff are required to act in accordance with codes of conduct and high standards are promoted across the Council and with its partners. The Council will:

- ensure that its leadership sets a tone for the organisation by creating a climate of openness, support and respect
- ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols
- 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. The Council will put in place appropriate processes to ensure that they continue to operate in practice

- develop and maintain shared values including leadership values both for the Council and staff reflecting public expectations, and communicate these with members, staff, the community and partners
- put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
- develop and maintain an effective standards committee
- use its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council
- in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively

Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council conducts all business in an open and transparent manner, and has formal processes for declaring relationships or interests to ensure that decision-making is transparent and objective. There is a robust system of scrutiny and effective arrangements for managing risks. The Council will:

- develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and of any organisation for which it is responsible
- develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice
- develop and maintain an effective audit committee which is independent
- put in place effective transparent and accessible arrangements for dealing with complaints
- ensure that those making decisions, whether for the Council or a partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications
- ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately
- ensure that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job
- ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the Council have access
- actively recognise the limits of lawful activity placed on the Council by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities

- 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
- observe all specific legislative requirements placed upon the Council, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice into their procedures and decision making processes

Core Principle 5: Developing the capacity and capability of members and employees to be effective

The Council recognises the importance of having highly skilled and motivated Members and staff to deliver its priorities and to sustain public confidence in its services. The Council is committed to the development of Members and staff skills, knowledge and performance through programmes of induction, training and development. The Council will:

- provide induction and training programmes tailored to individual needs and opportunities for members and employees to update their knowledge on a regular basis
- 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 organisation
- assess the skills required by members and employees and make a commitment to develop those skills to enable roles to be carried out effectively
- 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
- ensure that effective arrangements are in place for reviewing the performance of the Council as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

The Council has a consultation framework aimed at ensuring the community is given the opportunity to be involved in, and influence, policy-making, service delivery and evaluation in order to continually improve services. Key to our success as a council is the way we engage our local communities through Community Leadership. The Council will:

- make clear its role and responsibilities to Members, staff and the community
- consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required
- produce an annual report on scrutiny function activity

- ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively
- hold meetings in public unless there are good reasons for confidentiality
- ensure arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
- establish a clear policy on the types of issues it will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result
- ensure that it is open and accessible to the community, service users and its staff. It will also ensure that it 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
- develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making

Annual Governance Review

The Council will conduct, at least annually, a review of the effectiveness of the corporate governance framework including the system of internal control. The Corporate Assurance Group (CAG) will lead this review. Membership of the CAG is as follows:

- Head of Corporate Assurance and Procurement (Chair)
- Head of Financial Resources
- Head of Law and Governance
- Deputy Director of Human Resources and Organisation Development
- Audit, Risk and Assurance Manager
- Audit Manager
- Lead Risk and Assurance Specialists
- Senior Management Representatives from all Directorates

The review will be informed by the Council's Integrated Assurance Framework which is designed to gather assurance on an ongoing basis from all relevant sources across the Council.

A report on the findings and recommendations arising from the review will be presented to the Council's Executive Management Team, Audit and Governance Committee and Cabinet.

June 2013

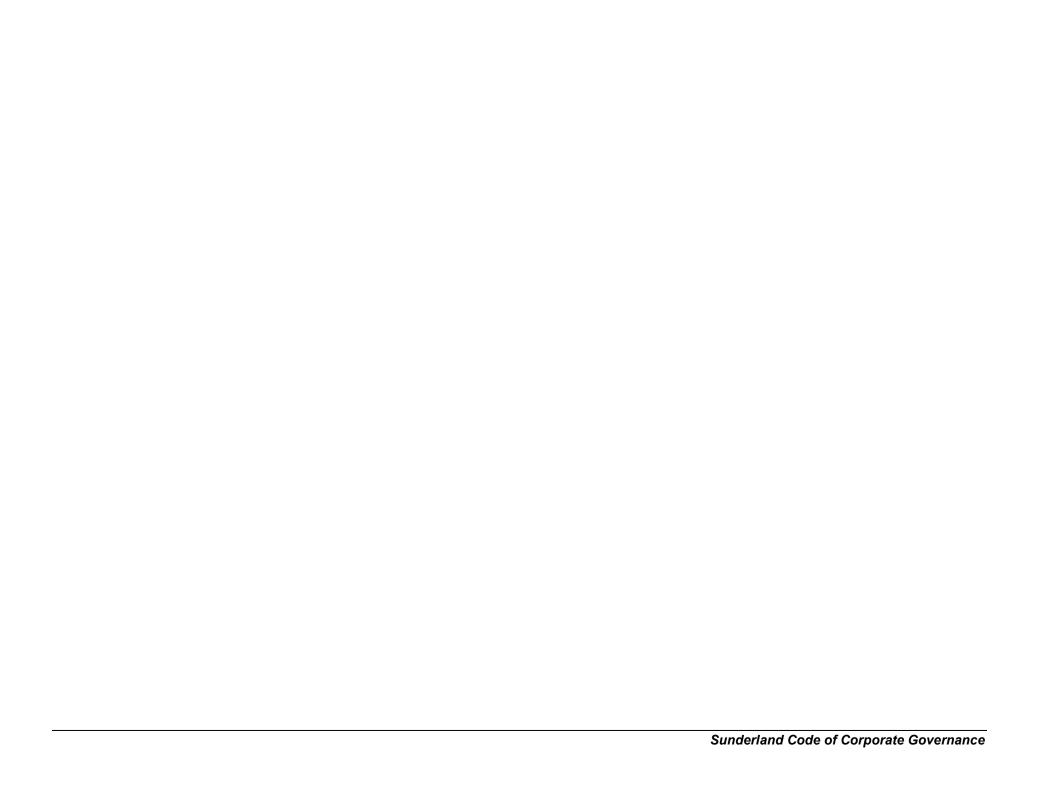| Purpose and Outcomes	Roles and Responsibilities	Values
Taking Effective Decisions	Capacity and Capability	Engagement

The corporate governance framework comprises the systems, processes, cultures and values through which the Council directs and controls its functions, and through which it accounts to, engages with and, where appropriate leads communities.

Key Documents Produced / Reviewed Annually	Key Documents Produced / Reviewed As Required	Supporting Processes, Monitoring and Regulation
Annual Statement of Accounts Corporate Plan Strategic Risk Profile Council tax leaflet Medium Term Financial Strategy Members Allowances Scheme Service Plans Treasury Management Strategy / Annual Review	Anti Fraud and Corruption Policy Business Continuity Management Arrangements Complaints Procedure Constitution Consultation and Involvement Toolkit Corporate Health and Safety Policy Corporate Complaints Policy Procurement Policy and Strategy Delegated Decision Records Directorate Delegation Schemes Employees' Code of Conduct Member / Employee Relations Protocol Member Training and Development Programme Members' Code of Conduct Monitoring Officer Protocol Partnership Agreements Partnerships Code of Practice Sunderland Leadership Programme Vision and Values Whistle Blowing Policy and Arrangements	Area Committees / Frameworks Annual Governance Review and Statement Audit and Governance Committee Budget Management Framework Committee Management Information System Consultation Arrangements Corporate Appraisal Process Corporate Assurance Group Corporate Assurance Map Employee Declarations of Interest External Audit (Annual Audit Letter) Financial Procedure Rules Inspectorate Reports Integrated Assurance Framework Internal Audit Job profiles Joint Consultative Arrangements Monitoring Officer role Procurement Procedure Rules Register of Member's Interests Scrutiny Arrangements Section 151 Officer Standards Committee Website and Intranet

2012/13 Draft Annual Governance Statement

1. SCOPE OF RESPONSIBILITY

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is used economically, efficiently and effectively and is safeguarded properly accounted for. We also have a duty to continually review and improve the way things are done.

We have put in place a local Code of Corporate Governance and a framework intended to make sure we do the right things in the right way for the right people. The Code is on the Council's website [here] or can be obtained from the Executive Director of Commercial and Corporate Services. This Statement explains how the Council has complied with its Code in 2012/13.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values that direct and control our activities and through which we account to, engage with, and lead the community. The framework enables us to monitor the achievement of 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 and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework has been in place at the Council for the year ended 31st March 2013 and up to the date of approval of the Annual Report and Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 There is a clear vision of our purpose and intended outcomes for citizens and service users that is clearly communicated, both within and outside the organisation. The Sunderland Strategy 2008-2025 provides the framework for members of the Sunderland Partnership, organisations, groups of people and individuals, to work together to improve the quality of life in Sunderland by 2025. It sets out a Vision for the city and its people and how everyone will work together to achieve that Vision:

"Creating a better future for everyone in Sunderland - Sunderland will be a welcoming, internationally recognised city where people have the opportunity to fulfil their aspirations for a healthy, safe and prosperous future."

3.2   The Council has developed a set of guiding principles to help decision making and agree priorities. These are:

- Elected members are community leaders at the core of decision making
- Our communities, residents and businesses are at the centre of everything we do
- We encourage, respect and value innovation and enterprise
- We demand high performance, personal responsibility and personal accountability
- We value people's individual contributions to our collective goals
- We are ambitious for the city and for ourselves; we view all change as an opportunity; we celebrate and build on our past without being confined by it.

3.3   To translate these principles into clear outcomes that will deliver its vision for the city the Council has set three strategic priorities:

People – raising aspirations, creating confidence and promoting opportunity
Place – leading the investment in an attractive and inclusive city and its communities
Economy – creating the conditions in which businesses can establish and thrive.

3.4   The Corporate Plan sets out our priorities and the significant actions we will take. These, in turn, shape the activity of our various services and how we will focus our resources. We are clear where we need to get to and what we need to do to get there.

3.5   Arrangements are in place to review our vision and its implications for the authority's governance arrangements. The annual strategic planning process, engagement and participation with residents, needs analysis and demographic information ensure the authority's vision remains relevant and meets the needs of local communities. There are annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective. The reviews are carried out by the Council's Corporate Assurance Group using assurances and information gathered through the Integrated Assurance Framework (IAF) which was put in place in 2012/13. The IAF brings together assurances from all available internal and external sources.

3.3   Arrangements are in place to measure the quality of our services, to ensure they are delivered in line with our objectives and for ensuring that they provide value for money. There are clear and effective performance management arrangements including staff appraisals for Directors and key staff, which address financial responsibilities. Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job profiles / descriptions and person specifications.

3.4   The roles and responsibilities of Council members and employees are clearly documented, with clear delegation arrangements and protocols for effective communication. The Council's Constitution sets out how the Council operates.

It incorporates a clear delegation scheme, indicates responsibilities for functions and sets out how decisions are made.

3.5 The Constitution includes Rules of Procedure and a scheme of delegation which clearly define how decisions are taken and we have various Codes and Protocols that set out standards of behaviour for members and staff. Directorates have established delegation schemes, although these require regular updating to reflect ongoing organisational changes.

3.6 During the year a system of scrutiny was in place allowing the scrutiny function to:

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the executive and/or any joint or area committee in connection with the discharge of any functions;
- consider any matter affecting the area or its inhabitants; and
- exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or area committees; and
- consider Local Petitions and Councillor Calls for Action for matters within their terms of reference.

3.7 A range of financial and HR policies and procedures are in place, as well as robust and well embedded risk management processes. Appropriate project management disciplines are utilised and Business Continuity Plans are in place, which are subject to ongoing review. There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts. There are clearly defined capital expenditure guidelines in place and procedures are in place to ensure that the Dedicated Schools Grant is properly allocated to and used by schools in line with the terms of grant given by the Secretary of State under section 16 of the Education Act 2002.

3.8 The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Executive Director of Commercial and Corporate Services is the designated Chief Finance Officer and fulfils this role through the following:

- Attendance at meetings of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- Involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered;
- Alignment of medium term business and financial planning processes;
- Leading the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded and used appropriately, economically, efficiently and effectively;

- Ensuring that the finance function is resourced to be fit for purpose.

3.9 The Council has an Audit and Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- receive and consider (but not direct) internal audit's strategy, plan and monitor performance;
- receive and consider the external audit plan;
- review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;
- receive and consider the annual report of internal audit;
- consider the reports of external audit and inspection agencies, including the Annual Audit Letter;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit;
- review the adequacy of and compliance with, the Councils Treasury Management Policy; and
- make recommendations to Cabinet or Council as appropriate.

3.10 We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Head of Law and Governance is the Council's designated Monitoring Officer and a protocol is in place with all Chief Officers, to safeguard the legality of all Council activities. All Cabinet Reports are considered for legal issues before submission to members.

3.11 The Council's internal audit service has been subject to an independent review of its effectiveness which concluded that the service operates in accordance with professional standards.

3.12 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are well publicised. We are committed to maintaining these arrangements to ensure that, where any individual has concerns regarding the conduct of any aspect of the Council's business, they can easily report their concerns. Monitoring records held by the Head of Law and Governance reveal that the whistle blowing arrangements are being used by both staff and the public, and that the Council is responding appropriately.

The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

3.13   We have arrangements to identify the development needs of members and senior officers in relation to their strategic roles. The Community Leadership Programme has continued to support elected Members to fulfil their community leadership role, including the introduction of Account Managers for all Members. The Council's HR Strategy identifies managing the performance of all of employees is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual appraisal focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation of the extent to which employees understand and support the values of the Council.

3.14   Clear channels of communication have been established with all sections of the community to promote accountability and encourage open consultation. We are committed to listening to, and acting upon, the views of the local community and carry out consultation in order to make sure that services meet the needs of local people. Community Spirit is Sunderland's residents' panel, currently made up of around 1,500 residents from all parts of the city.

3.15   Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the authority's overall governance arrangements. The Council has published a Code of Practice for Partnerships which includes a template for Partnership Agreements and a range of checklists to ensure key risk areas are considered and addressed. The Code is designed to provide a corporate framework for all staff involved in considering new partnership working, and to assist Members and employees to review existing arrangements. A Register of Partnerships is maintained. The significance of partnerships is identified using an assessment scorecard recommended by CIPFA.

4.   **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is carried out over the course of the year through the Integrated Assurance Framework. The review is informed by the Corporate Assurance Map which summarises assurances gathered form all available sources and in particular:

- The views of Members through participation in a survey covering governance issues and through the activity of the Scrutiny and Standards Committees.
- Assurances from Heads of Service who have carried out self-assessments relating to their areas of responsibility.
- Assurances from Chief Officers who have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments from their Heads of Service.

- Assurances from senior officers responsible for relevant specialist areas.
- Internal audit planning processes which include consultation with all Chief Officers, and audit activity as detailed in the Internal Audit Annual Report. The external auditor has conducted a review of the effectiveness of Internal Audit Services and concluded that there are robust arrangements in place to comply with the standards of the 2006 CIPFA Code of Practice for Internal Audit.
- The Audit Commission's Annual Audit Letter for 2011/12 provides an unqualified opinion on the financial statements. The report confirms that the Council has proper arrangements in place to secure financial resilience, and for challenging how it secures economy, efficiency and effectiveness.
- An Ofsted inspection of the Adoption Service took place in 2012/13 which gave a judgement for overall effectiveness of Good. Inspections also took place in Children's Homes and Children's Centres which gave judgements of Adequate or Good. Findings of external inspectorates are used to support continuous service improvement.

The Executive Director of Commercial and Corporate Services (the Chief Financial Officer) has directed, co-ordinated and overseen the review and its findings have been reported to the Executive Management Team and Cabinet for their consideration and approval of the Annual Governance Statement.

The findings of the review have been reported to the Audit and Governance Committee. Under their Terms of Reference the Committee have satisfied themselves that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it.

The Leader of the Council, the Chief Executive and the Executive Director of Commercial and Corporate Services have overseen the review and signed the Annual Governance Statement.

Cabinet and the Audit and Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an improvement plan has been agreed.

We propose over the coming year to take steps to implement the improvement plan to further enhance the Council's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review and we will monitor their implementation and operation as part of the next annual review.

Paul Watson	Dave Smith	Malcolm Page
Leader of the Council	Chief Executive	Executive Director of Commercial and Corporate Services

Dated