

AUDIT AND GOVERNANCE COMMITTEE

28 MAY 2010

ANNUAL GOVERNANCE REVIEW 2009/2010

Report of Director of Financial Resources and Chief Solicitor

1. Purpose of the Report

- 1.1 To provide details of the findings of the 2009/2010 Annual Governance Review and seek approval to the draft Annual Governance Statement, prior to its incorporation in the Statement of Accounts.

2. Background

- 2.1 The Council has a local corporate governance code (the Code) in place which 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 good practice.
- 2.2 The Code sets out a framework which aims to ensure that the Council is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The 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.
- 2.3 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 officers 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 officers to be effective;
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 2.4 The Code states that the Council will conduct, at least annually, a review of the effectiveness of the corporate governance framework, including the system of internal control.

2.5 The Council is also required to publish an Annual Governance Statement (AGS). The CIPFA Finance Advisory Network has also issued detailed practical guidance on meeting the requirements of the AGS. The AGS must be supported by a comprehensive assurance gathering process.

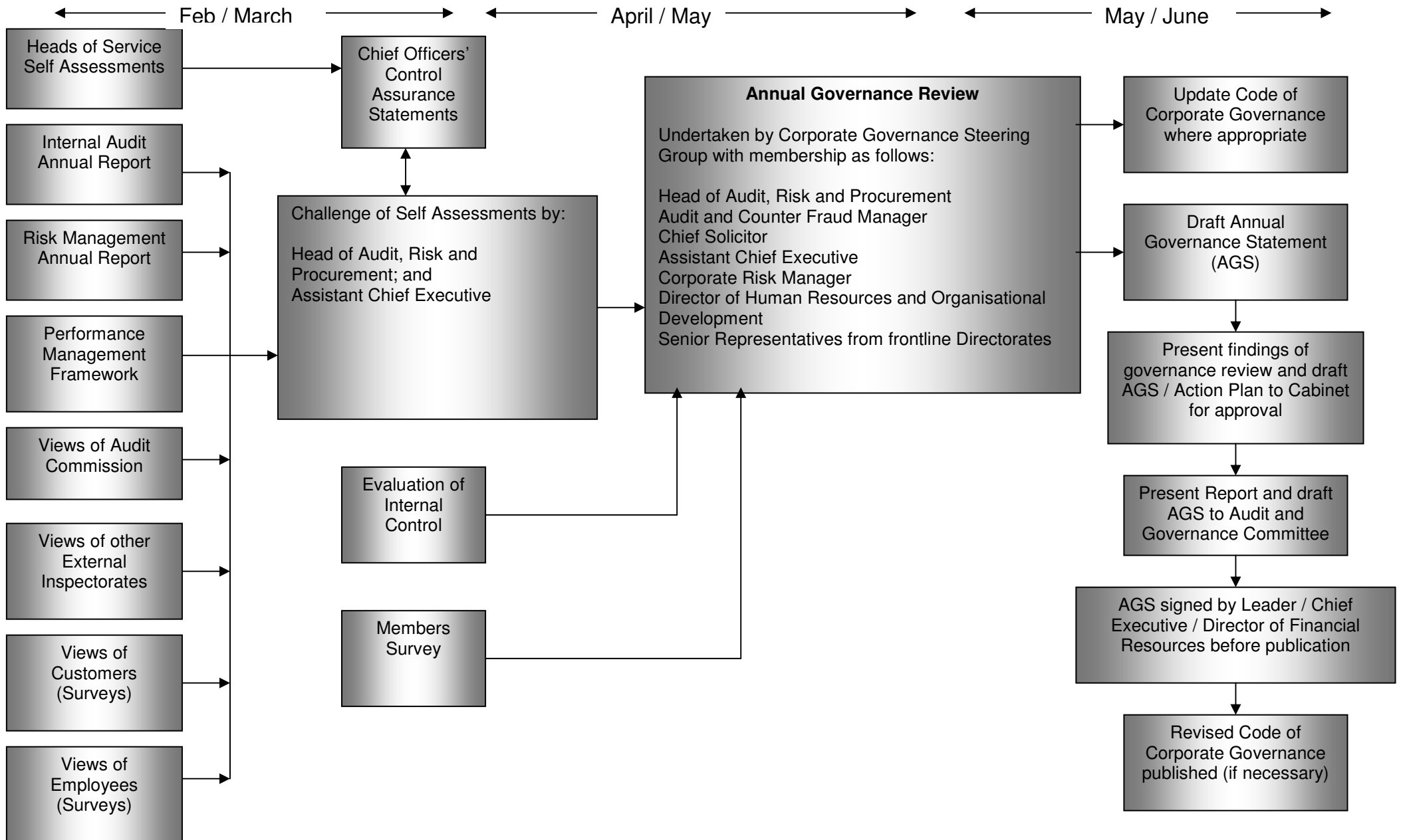
3. 2009/2010 Annual Governance Review

3.1 The review followed the methodology previously approved by Cabinet and was undertaken by the Corporate Governance Steering Group, whose membership is as follows:

- Head of Audit, Risk and Procurement;
- Audit and Counter Fraud Manager;
- Chief Solicitor;
- Assistant Chief Executive;
- Director of Human Resources and Organisational Development;
- Corporate Risk Manager; and
- Senior Representatives from frontline Directorates.

3.2 The stages in the review methodology are set out diagrammatically below.

Annual Governance Review 2009/2010 - Methodology



Annual Governance Review 2009/2010 - Methodology

3.3 Findings of the Corporate Governance Steering Group

3.3.1 The Corporate Governance Steering Group (CGSG) considered the following:

Self Assessments by Heads of Service, and Chief Officer Controls Assurance Statements

3.3.2 The above documents were examined to ensure that they had been completed in full and to identify any issues of significance. It was noted that most Heads of Service have identified some future plans for improvement to their governance and control arrangements. The future plans for improvement were discussed in detail at the CGSG to identify any which were significant in terms of the Council's overall governance and control environment.

3.3.3 It was noted that a large proportion of the future plans for improvement related to tasks which are already ongoing or which have already been included in existing action / service plans. In addition, a number of actions were included which were purely Directorate / Department based and not significant in terms of the Council's overall governance and control environment. The CGSG considered that none of the future plans for improvement are such that they would cause any concern regarding the adequacy of the current overall governance and control arrangements.

3.3.4 The CGSG did, however, consider that some of the future plans for improvement are newly identified actions resulting directly from the annual governance review, which have corporate significance, and therefore require inclusion in a corporate governance improvement plan. In addition, the Improvement Plan also includes a small number of areas that the Council is already addressing but are considered worthy of inclusion. Inclusion in the plan will facilitate monitoring by the CGSG to seek to ensure that the planned actions are delivered within a reasonable timeframe bearing in mind the importance / nature of the actions. The proposed Improvement Plan is attached at Appendix 1.

Internal Audit Annual Report

3.3.5 The Internal Audit Annual Report which was considered by the CGSG noted that, although a number of recommendations to improve internal control were made, the work undertaken did not identify any matters material to the overall internal control environment of the Council, although one significant risk recommendation was made in relation to corporate information security management.

The Internal Audit Annual Report states that for key financial and non-financial systems, the findings from audits this year have been analysed together with findings from previous years to enable an opinion to be formed on these key systems. The report concludes that, for each key system the opinion is either satisfactory or good.

Internal Audit Services monitors the rate of implementation of agreed recommendations and this currently stands at 84%, a fall from the previous year when the reported implementation rate was 86%. Work is ongoing to secure an improvement in this area and the Audit and Governance Committee is monitoring the position.

Annual Review of the Effectiveness of Internal Audit

3.3.6 It is a requirement of the Accounts and Audit Regulations that the Council has an independent review of the effectiveness of its system of internal audit once a year, the findings of which must be considered as part of the procedure for drafting the AGS. The process for this, as agreed by the Council's Audit and Governance Committee, is as follows:

- Self assessment by the Head of Audit, Risk and Procurement against the CIPFA Code of Practice for Internal Audit in Local Authorities;
- A detailed independent review of the self assessment by the Audit Commission; and
- Review of the Audit Commission's findings by the Director of Financial Resources and Chief Solicitor who report their findings to the Audit and Governance Committee.

3.3.7 The Audit Commission's review for 2009/2010 concluded that *"We found that there continue to be robust arrangements in place to comply with the Code's standards. Our detailed review of files did not highlight any significant non-compliance with IAS's Quality System or the Code."*

3.3.8 The Director of Financial Resources and Chief Solicitor will be reporting to the Audit and Governance Committee on 28th May 2010 that *"Having considered the detailed self-assessment, the findings of the Audit Commission's independent review and our cumulative knowledge of the internal audit arrangements in place we consider that they are effective and meet the required standards. The recommendations made will be implemented as outlined above"*.

Risk Management Annual Report

3.3.9 The Risk Management Annual Report was considered by the CGSG and the following was noted:

- The Risk Management and Internal Control element of the Audit Commission's Use of Resources assessment scored 4 out of 4.
- A consistent and quality approach to producing Directorate Risk Management Plans is now successfully embedded across the whole Council. These Plans reflect the risks identified in the Corporate Risk Profile as well as taking into account the risks that impact on Directorates service plans. In certain areas this approach is also being utilised to produce plans at a Divisional level.

- The Council's risk management team has provided formal training to over 100 staff (including Head Teachers and School Governors) during 2009/2010. Training has again been made available to Members and risk management is now included within the Council's Corporate Induction course on the intranet.
- Three further editions of the magazine Risk Watch were produced to raise awareness and keep staff and Members informed of issues during the period with emphasis on managing risks to improve opportunities.
- Regular meetings are now held between the corporate Risk Management team and the Corporate Policy and Performance Improvement team to ensure as far as possible risk management is utilised to support successful outcomes of the Council's plans. Regular meetings are also held between Risk Management and Internal Audit.
- The risk management team has worked closely with the Programme and Project Office to develop a risk management framework aligned to the Council's current approach to project management. Additional further risk management support has been provided in relation to the Council's Business Transformation Programme. Additionally the Council's risk management team has been closely involved with major projects, e.g. Building Schools for the Future; Sunderland Strategic Transport Corridor and the South of Tyne and Wear Waste Management Project.
- During the course of the year work has been undertaken to assist in the production of risk registers for significant partnerships in which the Council is involved.
- For schools the approach has been improved after consultation with Head Teachers and Governors. The schools risk register now includes issues relating to extended schools and the Every Child Matters Agenda. The DCSF who previously included the Sunderland approach to Risk Management on the Teachernet website as an example of good practice have requested and been supplied with the Council's latest approach to update this website. The CIPFA Better Governance Forum also now features Sunderland's approach as good practice on its national website.

Performance Management Framework

3.3.10 The CGSG considered the following:

- Data Quality Arrangements – this area scored 3 out of 4 in the Audit Commission's Use of Resources assessment and their Annual Audit Letter includes the following comments:
 - There is a clear corporate statement on the importance of high data quality standards.

- Members recognise the importance of good data quality and a Cabinet member acts as data quality 'champion'.
 - Responsibility for data quality is defined in strategies and the Council has taken steps to embed these through training and QA by both the corporate improvement team and Internal Audit.
 - The Council is ensuring that appropriate arrangements are in place for the new national data set, including developing a data quality checklist for inclusion into partnership performance arrangements and mapping datasets to the national framework.
- An IT based performance management system, Performance Plus, was procured during 2009/10 to support collection and reporting functionality. Base information includes Corporate Improvement Plan objectives, all key performance indicators, satisfaction indicators, risk information, structured by a range of reporting frameworks including thematic partnerships, scrutiny committee, Head of Service/Directorate.
 - Partnership governance and performance management and monitoring arrangements have been further developed, with regular reporting to the LSP including strengthening of LAA Delivery Plan reporting.
 - Improvements to reporting arrangements to Scrutiny Committees.
 - The Audit Commission's Annual Audit Letter includes the following comments:
 - Performance management and target setting has been improved through a more strategic approach based on local area agreements, Sunderland Strategy objectives and the new national indicator dataset;
 - There is a clearer focus on tackling underperformance through assessment of the impact of failing to deliver targets, review of expected trajectories, as opposed to year to date performance, and focusing on the remedial action being taken.
 - The planned refresh of the Sunderland Strategy and Local Area Agreement in 2010/11 will further strengthen the performance management arrangements.

Views of Audit Commission

3.3.11 The Comprehensive Area Assessment (CAA) was introduced in April 2009 to provide an independent assessment of how local public services are working in partnership to deliver outcomes for an area. The first results were reported on the new Oneplace website (www.oneplace.direct.gov.uk) on 9th December 2009. CAA is a joint inspectorate assessment of how the Council working with partners is improving outcomes for local residents.

Although Sunderland was not awarded any green flags in the new assessment process the report recognizes the positive impact the Council working in partnership is making on quality of life. For example:

- There is a good record of attracting new businesses and investment to the city and this is likely to continue helped by an Economic Masterplan.
- The Sunderland Learning Partnership is helping to improve skills in the city and clear plans are in place for it to continue to deliver improved outcomes.
- There is a good understanding of the health, social care and wellbeing needs of the population.
- Easier access to treatment is reducing some health inequalities and this is likely to continue.
- Access to primary health care at a local level is easier and care services for adults are good.
- Overall crime is lower in Sunderland than similar areas in England and Wales and continues to fall and fear of crime is reducing.
- There are positive outcomes from a range of targeted work including drug treatment programmes, a safer homes programme improving quality of life, youth engagement projects and parenting initiatives.
- Sunderland's local environment is currently ranked joint third best of the UK's 20 largest cities. Social housing and transport are good.

In addition, the Audit Commission's Annual Audit Letter states that the Council is performing well in its use of resources assessment and managing performance assessment. The council has been assessed as performing at level 3 for both elements. Comments include:

- The Council successfully integrates service and financial planning and has secured significant efficiency savings in recent years while at the same time investing in corporate priorities and improvements for local people.
- Processes for good governance and internal control are well established and effective.
- There are elements of particularly strong performance across a number of the use of resources Key Lines of Enquiry (KLOE), in particular:
 - provision of value for money services, especially adult social care;
 - risk management arrangements; and
 - partnership governance.

- Some scope for improvement has been identified in respect of asset management and the Council's use of natural resources, but all arrangements have been assessed as meeting expected standards.

3.3.12 It is considered that the views of the Audit Commission provide reassurance that the Council's overall governance and control arrangements are satisfactory.

Views of other External Inspectorates

3.3.13 The following inspections took place in 2009/10:

- Ofsted has rated the Council's children's services as performing well;
- The Care Quality Commission has rated the Council's adult social care as excellent;
- The Care Quality Commission recently carried out an inspection of adult social care, which looked specifically at safeguarding arrangements and choice and control for older people. The inspection reported that the Council was performing adequately in both areas.

Views of Customers

3.3.14 The Council has a Community Consultation Strategy in place, the aim of which is to ensure that consultation activity:

- is effectively co-ordinated across the Council and with partner agencies;
- impacts on service delivery; and
- is delivered to a high standard.

The strategy supports the Council's aim of ensuring that the community is given the opportunity to be involved in, and influence, policy making, service delivery and evaluation and to further the Council's aims of increasing participation and engagement and fulfilling its community leadership role.

During 2009/10 a Sunderland Involvement and Consultation Group (which is a partnership group) was established to further improve co-ordination of consultation activity.

3.3.15 Sunderland's citizens' panel, Community Spirit, was established in April 2002. Panel members are invited to complete up to three planned questionnaires per year. They may also be invited to attend consultation meetings and other activities. Significant efforts have been made to remove barriers and assist panel members to take part. In particular, the following arrangements are being provided:

- provision of information in large print, audio tape and other languages;
- completion of questionnaires by post, telephone and the Internet;

- assistance with travel arrangements;
- wider promotion of the panel through more outreach work; and
- extending the types of consultation panel members can get involved in

3.3.16 An Involvement and Consultation toolkit has been developed to help plan, design and implement consultation effectively across the Council. A new e-consultation solution was implemented to provide a calendar of all activity across the city. It will also provide functionality to run online surveys, forums, interactive documents and e-petitions.

3.3.17 The CGSG considers that the Council's consultation arrangements are adequate and the findings from consultation carried out during the year have not revealed any issues of significance with regard to governance and control within the Council.

Views of Employees

3.3.18 The Council undertakes a survey of the views of employees in relation to a range of issues on a regular basis. The most recent survey, carried out in late 2007, incorporated the HSE stress indicator tool, which helped in identifying potential work related stress 'hot spots'. Further focus group activity was undertaken in the "hot spot" areas and action plans put in place and monitored to improve the situation and respond to the issues. The survey received a positive response with 46% of forms being returned. Of those who responded, 86% said that they believed that *"taking everything into account the City Council was a good employer"*. The survey also identified some general areas for improvement, which were the subject of action plans implemented during 2008/2009. It was decided that given all the activity of communication and engagement of the Business Transformation Programme, together with the desire to incorporate schools, that the next survey would be delayed slightly. Despite a survey not being undertaken, information on the views of employees is gathered from focus groups for specific projects and through the suggestion scheme and Chief Executive's blog. The CGSG did not consider that the results of the survey have an impact on the Council's overall governance and control arrangements.

Documentation and evaluation of Internal Control Arrangements

3.3.19 The assurance gathering process as recommended within the CIPFA good practice guide was followed and the Council's key governance and control arrangements were documented and assessed. In most areas, the arrangements in place are good, but further development is required in relation to Business / Service Continuity Planning. This area has been included within the Improvement Plan.

3.3.20 Based on the above it is considered that the Council has robust internal control arrangements in place.

Whistle Blowing Register

3.3.21 Activity aimed at further publicising the Council's Whistleblowing Policy has taken place during 2008/2009.

3.3.22 During 2009/2010 25 whistleblowing reports were received. A register of whistle blowing cases is maintained by the Chief Solicitor who makes referrals as appropriate to relevant Chief Officers. All cases are appropriately investigated and any learning points are circulated to directorates as they arise. The Chief Solicitor and Director of Financial Resources meet with the Chief Executive periodically to discuss the referrals, and none of the cases were considered to be significant for corporate governance purposes.

Dedicated Schools Grant (DSG)

3.3.23 The annual Statement of Accounts is required to show whether the Dedicated Schools Grant has been spent in accordance with regulations made under the School Standards and Framework Act 1998. This requirement has been included because of the significance of the Dedicated Schools Grant in the financing of schools.

3.3.24 The arrangements for allocating the funding and monitoring its spend were discussed by the CGSG where it was agreed that the controls over the process appear adequate and no concerns were identified.

Information Governance

3.3.25 EMT has agreed new data handling guidelines and approved an information charter. A risk policy is being developed and a risk register is being drafted. A project board met on 1st December 2009. An infrastructure of information asset owners is to be put in place and compliance baselined. Additional preliminary work streams have been identified and are currently being assigned to the appropriate officers. During 2009/2010 Internal Audit made a significant recommendation in relation to physical security arrangements within the Civic Centre and as such its implementation is also included within the Improvement Plan.

Views of Council Members

3.3.26 A recent survey of Members included questions relating to governance arrangements. Thirty-two Members responded to the survey and the results did not raise any concerns relating to the Council's overall governance arrangements.

4. Updates to the Sunderland Code of Corporate Governance

4.1 The CGSG considered whether any updates or revisions to the Code of Corporate Governance are required, and it was agreed that no such updates or revisions are necessary.

5. Draft Annual Governance Statement

- 5.1 The Annual Governance Statement has been drafted taking into account the findings of the annual governance review.
- 5.2 The review identified a small number of improvements which would strengthen the current governance arrangements. These are detailed at Appendix 1.
- 5.3 The draft Annual Governance Statement is attached at Appendix 2.

6. Review of Progress in relation to the 2008/2009 Corporate Governance Improvement Plan

- 6.1 The improvement plan agreed following the 2008/2009 Corporate Governance Review included 17 actions. The CGSG reviewed progress on these actions and found that all were either complete or well progressed.

7. Conclusion

- 7.1 The Council continues to have robust and effective governance and control 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 are embedded Council-wide.
- 7.2 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.

**2009/2010 Annual Review of Corporate Governance and Internal Control arrangements
Improvement Plan for 2010/2011**

Ref	Action	Strategic Priority / Corporate Improvement Objective Ref.	Lead / Responsible Officer
1.	<p>The implementation of the Commissioning Framework and Commissioning Organisation (part of the Business Transformation Programme) should:</p> <ul style="list-style-type: none"> • ensure that needs are understood at a range of levels (including city wide, strategic, geographical, service group, vulnerable groups). • ensure that a holistic / one Council approach is taken to addressing strategic cross cutting issues (such as Child Poverty, Health Inequalities). • ensure a range of measures / techniques are developed in order to be able to effectively compare the performance and value for money for all services. • align with the development of the Council's Strategy and Policy provision. 		Assistant Chief Executive
2.	Given recent inspection comments improvements should be made to the case management arrangements for safeguarding adults and children.		Executive Directors for Health, Housing and Adult Services and Children's Services
3.	Revise annual governance review methodology to incorporate additional verification checks on Head of Service self assessments.		Head of Audit, Risk and Procurement
4.	Given the recent changes to the organisational structure of the Council Directors are to ensure that their Directorate Delegation Schemes are up to date.		All Executive Directors

**2009/2010 Annual Review of Corporate Governance and Internal Control arrangements
Improvement Plan for 2010/2011**

Ref	Action	Strategic Priority / Corporate Improvement Objective Ref.	Lead / Responsible Officer
5.	Complete the review of the partnership governance framework and Code of Practice, including awareness of current requirements and ensuring that formal agreements that are up to date are in place for all partnerships.		Assistant Chief Executive
6.	Revise and issue an updated Employee Code of Conduct.		Director of Human Resources and Organisation Development
7.	Remind staff of a range of governance issues including Employee Code of Conduct, the need for Appraisals, Whistle blowing arrangements, personal use of ICT, one to ones.		Head of Audit, Risk and Procurement
8.	Ensure that all employees have had equalities training (either by completion of e-learning package or by other appropriate means).		Director of Human Resources and Organisation Development
9.	Recommendations of the recent internal audit in relation to Information Security which found significant risks should be implemented promptly.		Chief Solicitor
10.	The Emergency Response Plan should be updated (e.g. names / contact numbers / rest centre venues / catering arrangements) and tested annually in future.		Deputy Chief Executive

**2009/2010 Annual Review of Corporate Governance and Internal Control arrangements
Improvement Plan for 2010/2011**

Ref	Action	Strategic Priority / Corporate Improvement Objective Ref.	Lead / Responsible Officer
11.	Implementation of the revised Corporate Business Continuity Management arrangements should be expedited in order that Business Continuity Plans can be completed for all areas of the council. All Heads of Service should develop appropriate contingency plans for key business activities and deliver a programme of scheduled exercises to test the plans and incident management arrangements to ensure that they will be effective when put into action.		Deputy Chief Executive And All Heads of Service
12.	Re-launch Manager Induction pack and clarify responsibilities for delivery of induction training to new managers.		Director of Human Resources and Organisation Development
13.	Undertake a further employee survey		Director of Human Resources and Organisation Development

**2009/2010 Annual Review of Corporate Governance and Internal Control arrangements
Improvement Plan for 2010/2011**

Appendix 1

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/2010

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a local Code of Corporate Governance which is consistent with the principles of the SOLACE/CIPFA Framework, Delivering Good Governance in Local Government. A copy of the Code is on the Council's website at <http://www.sunderland.gov.uk/CHttpHandler.ashx?id=2504&p=0> or can be obtained from the Director of Financial Resources or the Chief Solicitor.

This Statement explains how the Council has complied with the SOLACE/CIPFA Framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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The governance framework has been in place at the Council for the year ended 31st March 2010 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 the authority's purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders:

- 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.”

Delivery of the Vision is underpinned by the following Strategic Priorities:

- Prosperous City;
 - Healthy City;
 - Safe City;
 - Learning City;
 - Attractive and Inclusive City
- Underpinning the Sunderland Strategy are a comprehensive needs analysis, Sunderland Strategy Delivery Plans, including the Local Area Agreement and a set of Local Area Plans. The Delivery Plans which have lifespans of three years, identify the short term detailed and focused targets which will help to achieve the longer term key objectives set out in the Sunderland Strategy.
 - The Corporate Improvement Plan (CIP) for 2009/10 to 2011/12 is the Council's overarching Service Plan containing the plans of all of the Council's Portfolios, including the estimated Revenue Budgets for the financial year and the Capital Programme for 2009/10 to 2012/13. The CIP gives a broad overview of what the Council is doing in respect of its Corporate Improvement Priorities, what actions it intends to take over the next three years.

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- To demonstrate the council's commitment to the continuous improvement of service delivery and the use of resources, Corporate Improvement Objectives (CIOs) have been defined:

CIO1 Customer focused services
CIO2 One Council
CIO3 Efficient and effective council
CIO4 Improving partnership working

The Strategic Priorities set out in the Sunderland Strategy and CIOs have been combined to create the council's Corporate Improvement Priorities, to provide an increased focus on improvement activity and to reflect the fact that internal and external improvement activities are inter-related with each resulting from, contributing to and dependant upon the other.

- Communication of objectives to staff and stakeholders takes place through the following means:
 - Wide distribution of the Corporate Improvement Plan, including on the Council's website and intranet;
 - Issuing of an Annual Report setting out the Council's priorities, how the Council spent money on achieving these during the last financial year, and how successful the Council has been;
 - Through the Council's corporate Investors in People (IIP) processes;
 - Sunrise magazine, issued to all residents.

3.2 Arrangements are in place to review the authority's vision and its implications for the authority's governance arrangements:

- Through reviews by the Audit Commission and other external inspectorates the Council constantly seeks ways of securing continuous improvement. The Council has professional and objective relationships with these external inspectorates.
- There are annual reviews of the local Sunderland Code of Corporate Governance to ensure that it is up to date and effective.

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3.3 Arrangements exist for 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:

- There are clear and effective performance management arrangements including staff appraisals for Directors and key staff, which address financial responsibilities.
- There is regular reporting of performance against key targets and priorities to the Council's Executive Management Team, Cabinet and Scrutiny Committees.
- 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 the executive, non-executive, scrutiny and officer functions are clearly defined and documented, with clear delegation arrangements and protocols for effective communication:

- A Constitution has been adopted which sets out how the Council operates and how decisions are made, and incorporates a clear delegation scheme. The Constitution indicates responsibilities for functions and sets out how decisions are made.
- A system of scrutiny is in place which allows Scrutiny Committees 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.
- Directorates have established delegation schemes, although these may require updating in some areas to reflect recent organisational changes.

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3.5 Codes of Conduct defining the standards of behaviour for members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:

- The following are in place:
 - Members' Codes of Conduct;
 - Employees' Code of Conduct;
 - Protocol on Member/Employee Relations;
 - Protocol for Members in Relation to Development Control Matters;
 - Whistleblowing Policy;
 - Protocol for the use of Civic Cars;
 - Protocol for Members in Relation to Licensing Matters;
 - Protocol for Members and Voting Co-opted Members – Use of Council Resources and Equipment;
 - Guidance for Members in Relation to the Use of Council ICT Facilities;
 - Protocol for Use of Member Website;
 - Data Protection: Guidance for Councillors;
 - Remote Intranet/Internet Access for Members;
 - Protocol in Relation to Members' Dealings with the Council;
 - Registers of Interests, Gifts and Hospitality.

3.6 Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:

- The Director of Financial Resources is the designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision making, and is responsible for the proper administration of the Council's financial affairs.
- The Chief Solicitor is the Council's Monitoring Officer who has maintained an up to date version of the Constitution and has endeavoured to ensure lawfulness and fairness of decision making.
- The Council has in place up to date Procurement Procedure Rules and Financial Procedure Rules, which are subject to regular review.

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- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:
 - Whistle Blowing Policy;
 - Anti Fraud and Corruption Policy;
 - Codes of Conduct;
 - Corporate Health and Safety Policy;
 - Corporate Complaints Policy;
 - Corporate Procurement Strategy;
 - Procurement Codes of Practice;
 - Code of Practice for Partnerships;
 - Treasury Management Strategy;
 - Directorate / department budget management schemes.

- There are robust and well embedded risk management processes in place, including;
 - Member Risk Champion;
 - Risk Management Policy and Strategy Statement;
 - Nominated Head of Service lead for Risk Management;
 - Corporate Risk Profile;
 - Corporate and Directorate Risk Management Staff and Groups;
 - Risk Profiles for major projects and significant partnerships;
 - Risk Management Training Programme;
 - Establishment and operation of a risk management fund;
 - Nominated Directorate risk management champions;
 - Risk Management Advisors for each Directorate.

- 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.

- Business Continuity Plans are in place, which are subject to ongoing review and development. The arrangements in place in relation to ICT disaster recovery were satisfactory overall with further enhancement required in relation to some key applications and action is being taken to address this.

- There are clearly defined capital expenditure guidelines in place.

- Appropriate project management disciplines are utilised.

- The Council participates in the National Fraud Initiative.

- The Council has adopted and implemented the requirements of the Department for Work and Pensions Security Manual for the administration of Council Tax and Housing Benefit.

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- 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.

3.7 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 Director of Financial Resources 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 resources to be fit for purpose;

The person specification for the post of Director of Financial Resources requires that the post holder be professionally qualified and suitably experienced.

3.8 The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*, are undertaken by members.

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;

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- 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 and Inspection 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; and
- make recommendations to Cabinet or Council as appropriate.

3.9 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All Cabinet Reports are considered for legal issues before submission to members:

- The Chief Solicitor 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.
- The Council maintains an internal audit service. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards.

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3.10 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:

- The Council is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Council, a Councillor, or any member of the public, has concerns regarding the conduct of any aspect of the Council's business, they can do so through a variety of avenues, promptly and in a straight forward way.
- The framework in place to ensure the aims of this Policy are met are set out in two 'Whistle Blowing Policy Arrangements' documents, one for Council workers and one for members of the public.
- Monitoring records held by the Chief Solicitor 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.

3.11 Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles:

- The Council has a Members Training and Development Policy and Programme in place which sets out a clear commitment to Members to provide a range of training and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Council strategic objectives. In addition Members have access to a Personal Development Plan, which sets out the skills, knowledge, expertise and competence required to carry out the role as an Elected Member and confirms their personal responsibility for continuous professional development.
- The Elected Member Training and Development Strategy aims:
 - To provide a comprehensive Member Development programme;
 - To ensure that all newly Elected Members are properly inducted into the Council;
 - To encourage all Members to undertake a personal development plan to identify their individual needs and learning styles;
 - To ensure that all emerging needs for both individuals and across the board are identified and addressed;
 - To ensure that resources available for Member Development are effectively used.
- A programme is in place in order to support Councillors in fulfilling their community leadership role.

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- The Council has a HR Strategy that identifies that the need to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices 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 and includes the extent to which an employee understands and supports the values of the Council.

3.12 Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

- The Council has a Community Consultation Strategy which aims to ensure that consultation activity is effectively co-ordinated across the Council and with partner agencies, impacts on service delivery, and is delivered to a high standard.
- The strategy is complemented by the Hard to Reach Framework which outlines the council's approach to consulting with minority and vulnerable sectors of society.

3.13 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 officers to review existing arrangements.
- A Register of Partnerships is maintained. Significance of partnerships is measured using the Partnerships Significance Assessment Scorecard recommended by CIPFA.
- An annual report of those partnerships classified as significant is presented to Cabinet.

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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 informed by feedback from Councillors and the work of all senior managers within the authority who have responsibility for the development and maintenance of the governance environment, Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

- The role of the Council:
 - Councillors have participated in the annual review of the Council's Corporate Governance arrangements;
 - The Leader of the Council, the Chief Executive and the Director of Financial Resources have overseen the review and signed the Annual Governance Statement.
- The role of the executive:
 - The findings of the Annual Governance Review have been reported to the Executive Management Team and Cabinet for their consideration and approval of the Annual Governance Statement.
- The role of the Audit and Governance Committee:
 - The findings of the Annual Governance Review have been reported to Audit and Governance Committee. Under their Terms of Reference the Audit and Governance Committee have satisfied themselves that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- There is a system of scrutiny which allows Review Committees to:
 - review decisions made or actions taken in connection with the discharge of any of the Council's functions;
 - make reports and recommendations to the full Council, the executive, 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.

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- The role of the Council's Standards Committee includes the following:
 - promoting and maintaining high standards of conduct by councillors, co-opted members and church and parent governor representatives;
 - monitoring the operation of the Members' Code of Conduct;
 - monitoring the operation of the Council's Anti-Fraud and Corruption Policy so far as it relates to the actions of Members of the Council;
 - considering reports and complaints relating to the conduct of Members of the Council;
 - supporting the Monitoring Officer in his role.

- The Director of Financial Resources has directed, co-ordinated and overseen the review.

- All Heads of Service have participated in the annual governance review through carrying out self-assessments relating to their areas of responsibility.

- All Chief Officers have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments from their Heads of Service.

- Internal audit planning processes include consultation with all Chief Officers, reviews of the Corporate Improvement Plan and the Corporate Risk Profile. Audit work is risk based audit work and includes risks in relation to the achievement of service objectives, and Internal Audit Services carries out regular systematic auditing of key financial and non-financial systems. The Audit Commission have 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 Organisational Assessment of the Corporate Area Assessment states that:

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- Overall, Sunderland City Council performs well.
 - The Council's use of resources is good and has scored 3 out of 4 overall.
 - The Council manages its finances well, particularly financial planning and there have been no significant overspends in recent years. The Council has appropriate levels of balances and reserves.
 - Governance of the business is good.
 - Risk Management is excellent and has been used to especially good effect on the Building Schools for the Future project and in preparing the medium term financial plan.
 - Despite strong leadership and a number of ongoing projects, there is still a need to ensure the careful use of natural resources is fully included in all of the Council's activities and plans.
 - The Council manages performance well, scoring 3 out of 4.
 - The Council with partners have developed a clear long term vision for Sunderland in the year 2025. This is based on a good understanding of needs and priorities of residents. The Council's Corporate Improvement Plan reflects the Sunderland Partnership's priorities for the City, set out in the Sunderland Strategy, and the Council has also identified four corporate improvement objectives to ensure a greater focus on efficiency and effectiveness.
- Findings of external inspectorates are collated / monitored by the Performance Improvement Team.

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 for the continuous improvement of the Council's corporate governance and internal control arrangements.

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 will monitor their implementation and operation as part of the next annual review.

Paul Watson
Leader of the Council

Dave Smith
Chief Executive

George Blyth
Director of Financial
Resources

Dated 28th May 2010

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