

AUDIT AND GOVERNANCE COMMITTEE

30 JUNE 2009

ANNUAL GOVERNANCE REVIEW 2008/2009

Report of Director of Financial Resources and Chief Solicitor

1. Purpose of the Report

- 1.1 To provide details of the findings of the 2008/2009 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 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.

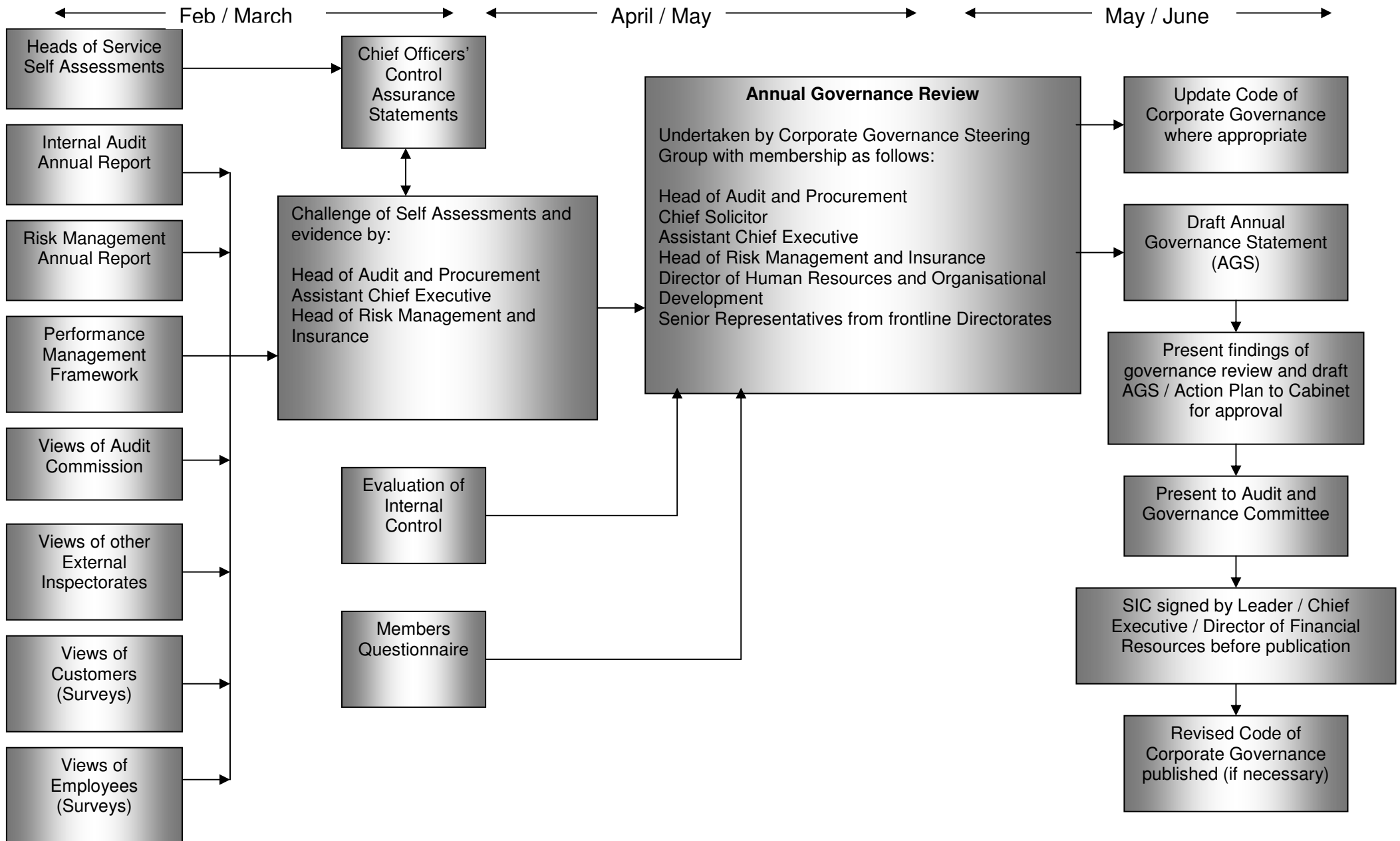
3. 2008/2009 Annual Governance Review

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 and Procurement;
- Chief Solicitor;
- Assistant Chief Executive;
- Director of Human Resources and Organisational Development;
- Head of Risk Management and Insurance; and
- Senior Representatives from frontline Directorates.

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

Annual Governance Review 2008/2009 - 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 as they relate to the Council's overall governance arrangements. 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 two significant risk recommendations were made in relation to the service transformation project.

The Internal Audit Annual Report states that there is an agreed scheme in place for the audit of key financial and non-financial systems. Findings from audits of these systems this year have been analysed together with findings from previous years to enable an opinion to be formed on these systems. The report concludes that, for each system the opinion is either satisfactory or good, except for an element of the ICT Disaster Recovery arrangements, which has now been addressed.

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 87%. Work is ongoing in relation to securing an improvement in this area.

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 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 2008/2009 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 reported to the Audit and Governance Committee on 22nd May 2009 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"*.

Risk Management Annual Report

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

- During 2008/2009 the Risk Management Policy, Strategy and Framework were reviewed and a report identifying changes will be presented to Cabinet and the Audit and Governance Committee in 2009;
- In conjunction with its external advisors, Marsh UK, the Council is producing a new Corporate Risk Profile;
- The Council's own in-house risk management training package has been delivered to Directorates and School Governors during 2008/2009, and training has been provided to Members with 4 separate sessions being held during the year. Risk Management is now included within the Council's Corporate Induction course on the intranet;

- 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 central Risk Management Team have been closely involved with major projects (e.g. Building Schools for the Future, South of Tyne and Wear Waste Management Project, Sunderland Strategic Transport Corridor) and work has been undertaken to assist in the production/updating of risk registers for all significant partnerships with which the Council are involved;
- During the year the Council gained the following external recognition
 - the Council was again awarded the top score of 4 for the Risk Management element of CPA (now one of only two authorities to have achieved this since the inception of CPA);
 - Alarm National Award Winner - Strategic Category – Creating a Safer City.

Performance Management Framework

3.3.10 The CGSG considered the following:

- Data Quality Arrangements – an assessment by the Audit Commission concluded that in terms of overall arrangements, the Council has consolidated and built upon existing processes put in place in previous years. There is now a clear corporate steer on data quality standards and the actions necessary to achieve them, against which directorates are required to demonstrate progress. Officers have also started to implement data collection arrangements for the new national datasets next year.
- The Performance Management Framework for delivering the Sunderland Strategy and the Local Area Agreement has been strengthened and also encompasses local area planning to provide a robust mechanism on which to monitor, report and improve performance across the partnership.
- Key business meetings with the Leader, Chief Executive and Directorate senior management teams, alongside the regular reporting of performance, including enhancements to Review Committees in relation to Value for Money reporting, are working effectively across the Council, helping to increase focus and provide further challenge and support to improvement activity.

3.3.11 The main issues currently faced are:

- Further embedding the new national indicator set and ensuring that the first years performance information is used to direct a range of improvement activity to deliver improvements for local people.
- Improving more explicitly the linkages (“golden thread”) between key objectives/key themes as an intrinsic element of the implementation plan for the new ICT based performance management system.

Views of Audit Commission

3.3.12 The Audit Commission’s Annual Audit and Inspection Letter was considered by the CGSG. This letter provides an overall evaluation of the Council’s progress having regard to the Council’s core performance assessment, its financial and service performance and a consideration of its strengths and areas for development. In summary, the Annual Audit and Inspection Letter states that the Council is improving well and refers to the following:

- high employment growth rate;
- good progress on the theme of ‘Healthy City’;
- more focused approach to equality, diversity, inclusion and fairness;
- greater emphasis on sustainability and protecting the local environment;
- development of the scrutiny function;
- development of asset management strategies;
- improved arrangements for performance management; and
- good value for money and strong financial management.

The letter also identifies certain areas for development including:

- whole city regeneration Masterplan;
- action to reduce health inequalities;
- further development of the scrutiny function, including effective challenging of key Council and partner decisions;
- further development of asset management strategies to make clearer how assets are being used to deliver corporate priorities; and
- specific improvements in relation to operational property management.

3.3.13 Within the Comprehensive Performance Assessment, the Council again secured the highest rating (4 out of 4) for the Use of Resources element.

3.3.14 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

3.3.15 No other external inspections took place in 2008/2009.

Views of Customers

3.3.16 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 is also necessary in order to meet 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.

3.3.17 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; and
- assistance with travel arrangements.

3.3.18 The Council arranges an annual survey of Sunderland residents. In 2008 the survey was undertaken by Ipsos MORI and involved 1,260 residents. The survey showed that 63% of residents are satisfied with the way that the Council is running the City. An action plan has been drawn up setting out how the Council is to respond to the key issues raised in the survey report.

3.3.19 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

3.3.20 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'. 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 identified some 'hot spots' and areas for improvement, which were the subject of action plans implemented during 2008/2009. 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

3.3.21 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 Continuity Planning in order to comply with the new British Standard BS25999. This area has been included within the Improvement Plan.

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

Whistle Blowing Register

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

3.3.24 During 2008/2009 17 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. 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)

3.3.25 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.

3.3.26 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

3.3.27 The Information Governance Team has continued its programme of awareness training for staff across the authority, including the provision of advice on data retention periods and data protection. A programme of audits is to be drawn up by the Chief Solicitor to examine compliance with the recently issued LGA Data Handling Guidelines.

Views of Council Members

3.3.28 A questionnaire was issued to Members asking whether they felt that statements made in the existing Sunderland Code of Corporate Governance were being met. The rate of return of the questionnaires was low (9 returns) but, of those who responded, the majority were in agreement that the statements in the Sunderland Code were being met.

3.3.29 The CGSG consider that the methodology for the Annual Governance Review process should be revised to facilitate improved engagement with Councillors.

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.

5.3 The draft Annual Governance Statement is attached at Appendix 2.

6. Review of Progress in relation to the 2007/2008 Corporate Governance Improvement Plan

6.1 The improvement plan agreed following the 2007/2008 Corporate Governance Review included 19 actions. The CGSG reviewed progress on these actions and found that all were either complete or well progressed.

6.2 A copy of the agreed improvement plan, showing progress to date, is attached at Appendix 3.

7. Conclusion

- 7.1 The Council has 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 The review has not identified any weaknesses that would need to be highlighted in the Council's Annual Governance Statement.
- 7.3 The review identified a small number of improvements which would strengthen the current governance arrangements and these are detailed in the Improvement Plan at Appendix 1.

**2008/2009 Annual Review of Corporate Governance and Internal Control arrangements
Improvement Plan for 2009/2010**

Ref	Action	Strategic Priority / Corporate Improvement Objective Ref.	Lead / Responsible Officer
1.	Strengthen corporate improvement planning arrangements to ensure alignment with service specific plans and to focus on outcomes and improvements.	CIO2	Assistant Chief Executive
2.	Strengthen the governance and effectiveness of partnerships including further development of partnership working competences.	CIO4	Assistant Chief Executive
3.	Set employment targets (e.g. attendance, ethnicity) at head of service level (targets are currently set at directorate level).	SP5	Director of Human Resources and Organisational Development
4.	Review Member Development Programme to ensure it continues to provide sessions which are relevant and useful for Councillors and also supports them in their community leadership role.	CIO1 CIO3	Director of Human Resources and Organisational Development
5.	Continue to support Councillors in developing their community leadership role.	CIO3	Head of Community Leadership Programmes
6.	Ensure that appropriate benchmarking is undertaken systematically throughout the Council in order that all service areas can demonstrate value for money and that the information can be used to drive improvement.	CIO3	Assistant Chief Executive

**2008/2009 Annual Review of Corporate Governance and Internal Control arrangements
Improvement Plan for 2009/2010**

Ref	Action	Strategic Priority / Corporate Improvement Objective Ref.	Lead / Responsible Officer
7.	Ensure that a change management and communication plan in relation to the Improvement Agenda and Council restructure is developed and implemented.	CIO2	Director of Human Resources and Organisational Development
8.	Implement regular briefings (three or four per year) for relevant officers (e.g. new managers, participants on Sunderland Leadership Programme) on the Council Constitution, including Financial Procedure Rules, Procurement Procedure Rules and Employees Code of Conduct etc.	CIO3	Director of Financial Resources / Chief Solicitor / Director of Human Resources and Organisational Development
9.	Introduce a corporate diary / 'reminder' system to prompt managers to remind staff of key Council policies, e.g. Code of Conduct.	CIO3	Assistant Chief Executive
10.	Track completion of mandatory training to ensure that all employees have completed required courses (e.g. equalities and anti fraud e-learning) and report progress.	SP4 CIO3	Director of Human Resources and Organisational Development
11.	Raise awareness amongst managers regarding the demographic information that is available to inform consultation and improvement planning.	CIO3	Assistant Chief Executive
12.	Implement the Local Government Associations' data handling guidelines and develop a plan of compliance testing.	CIO3	Chief Solicitor

**2008/2009 Annual Review of Corporate Governance and Internal Control arrangements
Improvement Plan for 2009/2010**

Ref	Action	Strategic Priority / Corporate Improvement Objective Ref.	Lead / Responsible Officer
13.	<p>Review Service Continuity Planning process to ensure that it meets the requirements of the British Standard including:</p> <ul style="list-style-type: none"> • Ensuring that linkages between the emergency response plan, specific plans (e.g. pandemic flu plan), service specific continuity plans and ICT Disaster Recovery plans are clear; • Periodic testing of plans; and • Communication of roles and responsibilities. 	CIO3	Director of Development and Regeneration
14.	Develop a strategic approach to charging for Council services (new charges or charges increased beyond the rate of inflation should be in consultation with the portfolio holder, and should be reported to EMT).	CIO2	Director of Financial Resources
15.	Review appraisal process and implement a process to measure compliance across the Council.	CIO3	Director of Human Resources and Organisational Development
16.	Improve the rate of implementation of agreed internal audit recommendations within timescales agreed.	CIO3	Director of Financial Resources
17.	Review the annual governance review process to facilitate improved engagement with Councillors.	CIO2	Director of Financial Resources

**2008/2009 Annual Review of Corporate Governance and Internal Control arrangements
Improvement Plan for 2009/2010**

Appendix 1

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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 Code of Corporate Governance in place 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/Public/Editable/Themes/CityCouncil/corporate/corporategovernance/codeofcorporategovernance.pdf> 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 2009 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:

- In 2008/2009 the City of Sunderland Local Strategic Partnership (the Sunderland Partnership) published the Sunderland Strategy – the city's sustainable community strategy for the period 2008 - 2025. It sets out a vision for the city, drawing upon extensive consultation and taking into account the views of residents, businesses and partners from all sectors, and many other contributors. The Sunderland Strategy sets out the following priority areas for action:

SP1: Prosperous City

SP2: Healthy City

SP3: Safe City

SP4: Learning City

SP5: Attractive and Inclusive City

- The Council's Corporate Improvement Plan (CIP) 2008/2009 to 2010/2011 is the Council's overarching plan for how it will deliver services and work towards achieving the vision for Sunderland. The full CIP combines the plans for each of the council's portfolios, including estimate revenue budgets for the financial year and the capital programme for 2008/2009, detailing planned capital expenditure.
- The Council has also published a document entitled 'Improvement Priorities for 2008/2009', which incorporates the Corporate Improvement Plan Summary. This document is aimed at assisting all members of staff to understand their contribution to delivering the priorities and objectives, thereby improving performance and service delivery.
- It is also an important summary document in demonstrating the council's commitment and planned improvement activity in relation to delivering against both the priorities set within the Sunderland Strategy 2008-2025 and in relation to the council's Corporate Improvement Objectives.

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- Production of the Council's Improvement Priorities for 2008/2009 (incorporating the Corporate Improvement Plan Summary 2008/2009) has been endorsed by the Audit Commission as an appropriate means of articulating the key messages from the full CIP to a wider audience.
- Communication of objectives to staff and stakeholders takes place through the following means:
 - Wide distribution of the Corporate Improvement Plan, as well as a summary version, 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:

During 2008/2009, the Sunderland Strategy and its priorities were reviewed to provide a longer-term focus for the Sunderland Partnership and the city.

- 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.

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.

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- There is regular reporting of performance against key targets and priorities to the Council's Executive Management Team, Cabinet and Review 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 Review 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.
- Directorates have established delegation schemes, although these may require updating in some areas to reflect recent organisational changes.

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;
 - Registers of Interests, Gifts and Hospitality.

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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.
- 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 based upon CIPFA's Treasury Management Codes;
 - Directorate / department budget management schemes.
- There are robust and well embedded risk management processes in place, including;
 - Risk Management Strategy and Policy Statement;
 - Corporate Risk Profile;
 - Risk Management Manual;
 - Nominated Head of Risk Management;
 - Corporate and Directorate Risk Management Staff and Groups;
 - Risk Management Training Programme;
 - Discrete Risk Profiles produced for certain major initiatives/projects and significant partnerships;
 - Partnerships Risk Register;
 - Establishment and operation of a risk management fund;
 - Nominated Directorate risk management champions;

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- Risk Management Annual Report;
 - Member Risk Champion;
 - Risk Management Advisors for each Directorate.
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- 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 and subsequent investigations.
 - 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.
 - 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 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 anticorruption 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;

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- 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 or comments to Cabinet or Council as appropriate.

3.8 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All 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. Internal audit work is planned on the basis of risk.

3.9 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 serious 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.

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- 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.

3.10 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.
- 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.

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3.11 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.

3.12 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.

- 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 all 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 Council has secured the highest rating (currently 4 Star) for each year of the Comprehensive Performance Assessment. The most recent corporate assessment states that:
 - the Council is improving well;
 - the Council continues to improve outcomes for local people;
 - prosperity is being enhanced through the development of most key regeneration sites. Services for children and young people are all good, with education attainment improving at most key stages.
 - people are healthier, fewer people smoke, and the new Aquatic Centre is helping vulnerable groups become healthier.

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- services for adults are excellent with increasing numbers being helped to live at home.
 - crime is reducing, fewer young people are re-offending, and domestic violence is being actively tackled. Streets are cleaner and the recycling and composting rates have improved, although remaining below average.
 - the Council's strategies and objectives reflect those of the Sunderland Community Strategy and Local Area Agreement, with local partners positive about their interaction with the Council.
 - the Council has good capacity to sustain improvement, delivers good value for money and has significant revenue and capital reserves allocated to improvement projects.
 - it has invested in training for Councillors and staff to improve their ability to deliver change, with better project management skills in place; and a greater understanding of diversity, equality and community cohesion issues.
- The Council has secured the highest rating (4 out of 4) for the Use of Resources element of the Comprehensive Performance Assessment.
 - 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 of effectiveness and will monitor their implementation and operation as part of the next annual review.

Paul Watson
Leader of the Council

Dave Smith
Chief Executive

Keith Beardmore
Director of Financial
Resources

Dated 30th June 2009

Progress regarding Corporate Governance Improvement Plan - 2008/2009

Ref	Action	Lead / Responsible Officer	Progress
1.	Revise Directorate (Head of Service) Self-assessments used in Annual Governance Review to incorporate the following: <ul style="list-style-type: none"> - Use of Resources - Issues arising from the change from CPA to the new Comprehensive Area Assessment (CAA) Review challenge process in relation to the self-assessments.	Director of Financial Resources	Complete
2.	Finalise Community Cohesion Strategy	Director of Development and Regeneration	Ongoing - The draft Community Cohesion Strategy was completed and was presented to the LSP Partnership Board and the Community Cohesion Working Group in November 2008. The Strategy was also presented to Cabinet in October 2008 and the Regeneration Review Committee on 21 st January 2009. The final draft Community Cohesion Strategy is nearly complete and will be presented to the next available LSP Board in June / July 2009.

Progress regarding Corporate Governance Improvement Plan - 2008/2009

Ref	Action	Lead / Responsible Officer	Progress
3.	Agree an Economic Development Masterplan including an initial economic assessment.	Deputy Chief Executive	<p>Ongoing - A consortium of consultants has been selected to support the development of the Economic Masterplan for Sunderland. Work is progressing on the initial economic assessment and a workshop is being held in mid June 2009 to present the findings to the consultants and the Management Group.</p> <p>The project team is working with the consultants to finalise the timetable for the development of the Masterplan and to build appropriate communication and engagement into the programme. Alongside this inception work the consultant team have begun their research into the City.</p> <p>Work to develop the overall economic vision and direction for the city is scheduled to take place from late June 2009 to mid September 2009, with detailed work on the role of the City Centre also scheduled for September 2009.</p> <p>A draft Economic Masterplan will be available in March 2010.</p>
4.	Review communications and marketing strategy. Review to cover internet/intranet accessibility and possible A to Z of services.	Deputy Chief Executive	Complete
5.	Implement Customer Service and Access Strategy and raise awareness at a future SMT event.	Director of Community and Cultural Services	Complete

Progress regarding Corporate Governance Improvement Plan - 2008/2009

Ref	Action	Lead / Responsible Officer	Progress
6.	Review area committee arrangements in light of White Paper proposals for community engagement.	Deputy Chief Executive / Chief Solicitor	<p>Ongoing - Local Area Plans (LAPs) for all 5 committee areas are now at final draft stage (for decision at cabinet July 2009). They incorporate area priorities jointly developed by members, service delivery partners (including the voluntary and community sector) and residents.</p> <p>There has been a full review of area governance arrangements to ensure the effective implementation of the LAPs and changes are to be implemented at the Area Committees first meetings in June. Service Delivery Partners and representatives from the Community and Voluntary Sector are in place to attend all 5 Area Committees. Area Committees will actively encourage local residents to become involved in decision-making on matters which affect them. Area Committees will continue to consult, engage and involve local people and organisations in development and delivery of the Local Area Plan.</p>
7.	Procure and implement a Council ICT based Performance Management System	Deputy Chief Executive / Assistant Chief Executive	Ongoing – System has been selected and will be implemented within 2009.

Progress regarding Corporate Governance Improvement Plan - 2008/2009

Ref	Action	Lead / Responsible Officer	Progress
8.	Further develop joint commissioning role in relation to partnerships, via work of Children's Trust	Director of Children's Services	<p>Ongoing - A Joint Commissioning Board and Project Group are in place. Priority areas of work have been identified and governance arrangements are in place.</p> <p>A Children's Services Commissioning team has been established and will operate from 1 June 2009. A work plan for 2009/10 has been drafted</p> <p>With the establishment of a Children's Services commissioning unit, work is planned to strengthen the commissioning role of the Children's Trust over the next 18 months.</p>
9.	Review the Major Emergency Plan and progress Business Continuity Management Plans in line with BS25999.	Director of Development and Regeneration / All Directors and Chief Officers	<p>Complete - The Emergency Response Plan has been updated and distributed to those with responsibilities in the plan.</p> <p>Ongoing – Work is ongoing in relation to meeting BS25999.</p>
10.	Review schools' Crisis Response Plans	Director of Childrens' Services	Complete
11.	Review effectiveness of new induction and appraisal schemes.	Deputy Chief Executive / Director of Human Resources and Organisational Development	Complete

Progress regarding Corporate Governance Improvement Plan - 2008/2009

Ref	Action	Lead / Responsible Officer	Progress
12.	Directorate Delegation Schemes to be reviewed and updated where appropriate, and on an annual basis thereafter.	All Directors / Chief Officers	Complete
13.	Review and update Employee Code of Conduct, where appropriate.	Director of Human Resources and Organisational Development / Director of Financial Resources / Chief Solicitor	Ongoing - A review of the Code is underway. The review is being informed by a consultation document from Government and a working party has been formed to develop a revised Code. The Government has not yet introduced the national code.
14.	Directors and Chief Officers to provide regular updates to EMT on progress on managing the issues outlined in the Corporate Risk Profile.	Relevant Director / Chief Officer	Complete – Regular reposts have been considered by EMT in relation to issues within the Corporate Risk Profile.
15.	Review the Local Code of Corporate Governance in light of new guidance and raise awareness with staff.	Director of Financial Resources	Complete
16.	Re-publicise Whistle-Blowing Policy	Director of Financial Resources	Complete

Progress regarding Corporate Governance Improvement Plan - 2008/2009

Ref	Action	Lead / Responsible Officer	Progress
17.	Continue work on Records and Information Management: <ul style="list-style-type: none"> – retain no longer than needed; – encryption of high risk / sensitive data 	Chief Solicitor / Deputy Chief Executive	<p>Ongoing – A new publication scheme was approved by Cabinet in December and operational in advance of the deadline of 1st January 2009.</p> <p>The Council has progressed the development of retention and destruction criteria for records across the organisation. There is an approval mechanism in place which involves service areas, legal and risk management. The schedules that have been developed and approved are on the Intranet to be accessed by staff, and cover a wide range of areas including specific timescales for records in various service areas tailored to the business needs of the service. They also include generic retention schedules which can be used by staff across the organisation, including general administration records, local HR records and local finance records.</p> <p>In the last year additional schedules have been developed to cover all services within Development and Regeneration and further service areas within Children's Services and Chief Executives. This is a rolling programme and schedules will continue to be reviewed regularly while identifying gaps where new retention schedules are required.</p> <p>A report and plan for the Council to meet the Local Government Data Handling guidance was considered by EMT on 12 May 2009.</p>

Progress regarding Corporate Governance Improvement Plan - 2008/2009

Ref	Action	Lead / Responsible Officer	Progress
18.	Corporate and Directorate Action Plans to be developed in response to the issues arising from the Employee Well-Being Survey	All Directors / Chief Officers	Complete
19.	Reports on those areas highlighted within the External Audit Plan as new and emerging risks (see paragraph 6.6.6 of report) should be presented and considered by the Council's Executive Management Team throughout the year.	Relevant Director / Chief Officer	Complete

Progress regarding Corporate Governance Improvement Plan - 2008/2009