

# **Report to Governance and Constitution Committee**

## **Update on issues relating to the Annual Governance Statement**

### **21st January 2010**

#### **1.0 Purpose**

- 1.1 The Governance and Constitution Committee reviewed the Annual Governance Statements (AGS) prepared by each predecessor council (excluding Cheshire County Council) contained within the Draft Statement of Accounts for 2008/09 at its meeting on 25 June 2009. The AGS' included key messages that were put to Cheshire East for consideration as it develops its own governance framework. This report provides a summary of the issues contained within the predecessor Council's AGS' (Appendix 1) that are considered relevant to Cheshire East Council.
- 1.2 The purpose of this report is also to facilitate compliance with the requirements of the Accounts and Audit Regulations (2003 as amended) and, consequently, it provides Members with the proposed process for compiling the AGS in order that Members may endorse the approach.

#### **2.0 Annual Governance Statement (Predecessor Council's)**

- 2.1 Local government bodies are responsible for producing an annual governance statement along with their financial statements. In areas that were subject to restructuring the following arrangements applied:
- regulations prescribed that governance statements had to be prepared by each predecessor council drawing on their review, assurance and sign off processes for the period up until 31 March 2009
  - the governance statements had to be provided and signed off by the predecessor council's head of paid service and its leader
  - an addendum or supplementary supporting statement must be made and agreed by the successor council (or its s151 officer) if necessary to reflect any issues that arose in finalising the statements of accounts post the reorganisation date
- 2.2 Consequently, the Governance Committee reviewed the Annual Governance Statements prepared by each predecessor council (excluding Cheshire County Council because Accounts were closed by Cheshire West and Chester) contained within the Draft Statement of Accounts for 2008/09 at its meeting on 25 June 2009.
- 2.3 The AGS' included key messages that were put to Cheshire East for consideration. The Internal Audit Plan for 2009/10 included a review of the predecessor Council's AGS' in order to ensure that issues are considered/addressed whilst the Council develops its own governance framework. A summary of the review to date is shown in Appendix 1. The inclusion or comment on any area or function in this report does not indicate that

matters are being escalated to Members for further action, however the progress should be reviewed because:

- in order for the Council to derive maximum benefit from the governance process actions may need to be addressed by Cheshire East
- the issues may remain relevant to the production of the 2009/10 Annual Governance Statement.

### **3.0 Annual Governance Statement 2009/10 (Cheshire East)**

- 3.1 Regulation 4 of the Accounts and Audit Regulations (2003 as amended) requires the Council to conduct a review at least once a year of governance arrangements. The statutory reporting requirement for the AGS is linked to the publication of the Council's financial statements (end of September for the 2009/10 financial year). Furthermore, although the AGS relates to the year ended 31 March 2010 it must be based on key controls that will continue to operate until the publication of the Statement of Accounts.
- 3.2 The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness on the processes and/or to address identified weaknesses. The results of the review will be reported to the Governance and Constitution Committee in June 2010 in order that the AGS is approved.
- 3.3 In considering whether to approve the AGS, the Governance and Constitution Committee should seek to support the disclosures made and be satisfied:
- with the process
  - that the evidence supports the disclosures made in the AGS

Consequently, the proposed process needs to be fully accepted and endorsed by the Committee.

### **4.0 Review of Corporate Governance Arrangements**

- 4.1 It is proposed that the review of governance arrangements that have been in place for the year ended 31 March 2010 will be informed by the work of the Internal Auditors and the Executive Managers and also by comments made by the External Auditors and other review agencies/ inspectorates. The sources of assurance will include:
- Directors and Managers assigned with the ownership of risks and delivery of services through the risk management process
  - The s151 Officer and the Monitoring Officer in meeting statutory responsibilities
  - Internal Audit – through the annual and interim reports
  - External Audit through reports and the Management and Inspection letter
  - Outcomes from other review agencies and inspectorates
  - Directors and Senior Managers who independently sign off on the adequacy of controls within their service areas via disclosure statements

- Designated officers who complete AGS self-assessment questionnaires (In this way compliance with the Council's Code of Corporate Governance will be evidenced)
  - Designated officers who complete control & risk self- assessment questionnaires
- 4.2 The AGS will be considered by the Corporate Management Team with work being co-ordinated by the Corporate Governance Group.
- 4.3 In order that Members may discharge their duties the Committee has/will receive(d) reports, information and training throughout the period under review including:
- the Internal Audit Annual Report for 2009/10 (timed to support production of the AGS)
  - interim update reports from Internal Audit
  - update reports on Risk Management
  - an update report on issues contained within the predecessor Council's AGS' that are considered relevant to Cheshire East Council
  - a workshop that examines the draft AGS and supporting documentation (timed to support the production of the draft statement of accounts)
- 4.4 The Governance and Constitution Committee will critically review the AGS and its supporting documentation and, in considering whether to approve the Statement, seek to satisfy itself that Management has obtained relevant and reliable evidence to support the disclosures made. The AGS will, subject to approval by the Governance and Constitution Committee, be signed off by the Chief Executive and the Leader of the Council and published with the Council's financial statements.
- 5.0 The System of Internal Audit**
- 5.1 Regulation 6 of the Accounts and Audit Regulations 2003 (as amended) requires the authority to conduct an annual review of the effectiveness of its system of internal audit. It is proposed that the 2009/10 review is undertaken using the following checklists:
- compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
  - self-assessment - measuring the Effectiveness of the Audit Committee
- 5.2 The Corporate Governance Group will co-ordinate the assessments with the results being fed into the review of the Council's governance arrangements. Consequently, the detailed outcome of the review will be considered by the Governance and Constitution Committee as part of the AGS approval process.

### Summary of issues arising from Annual Governance Statements for Demising Authorities

Demising Authority	Issue	Summary update
Cheshire County Council	<b>Business Continuity</b>  Complete and test fully Business Continuity Plans for business critical systems.	Cheshire East's Business Continuity Plan was approved by the Cabinet on 14 July 2009 following recommendation from the Governance & Constitution Group. BCPs are in place for all critical activities with particular focus on loss of staff. Work is currently under way to develop plans further for other scenarios. A Corporate exercise has been conducted to test plans for the Flu Pandemic and individual services are testing their own plans. Adult Social Care has also conducted a major test of their plan.
	<b>Disaster Recovery</b>  Plans for more significant testing of ICT disaster recovery plans are being considered as part of planning to move to the new Data Centre	Work to be completed in Quarter 4.
	<b>Transition of Business Support Systems and Processes</b>  Officers of CWaC/CE to confirm arrangements for back office shared service and business processes so that the Oracle Project Manager and Work Stream Leaders can ensure timely and effective delivery of financial and business	A working group, lead by Lisa Quinn, was established in June 2009 to look at the delivery of "Business Support", this covers the areas of: <ul style="list-style-type: none"> <li>• Corporate Support Services (e.g. HR, Finance, Legal)</li> <li>• Back Office Transactional Processes (e.g. Income, Payments, Payroll)</li> <li>• Cross Cutting Business Activities (e.g.</li> </ul>

Demising Authority	Issue	Summary update
	support systems	<p>Information Management, IT Commissioning, Facilities Management).</p> <p>In November 2009, this group submitted a paper to Corporate Management Team proposing a Programme Board with Client and Provider roles, which was agreed.</p>
	<p><b>Children's Services – Safeguarding</b></p> <p>OFSTED review has specific recommendations for continuing further improvement, in particular those relating to:</p> <ul style="list-style-type: none"> <li>▪ Management structures for the new social care teams</li> <li>▪ Reviewing social worker generic caseloads</li> <li>▪ Issues relating to the implementation of PARIS</li> <li>▪ Continuing the monthly monitoring through performance clinics of assessment performance as a key strategy for improving performance</li> <li>▪ The development of integrated services and the effective implementation of the Common Assessment Framework</li> <li>▪ Developing both a social care and a multi-agency response to the Haringey JAR and Lord Laming's report</li> </ul> <p>Independently auditing cases of children under five years with a child protection plan</p>	<p>Work scheduled for Quarter 4, See also PARIS implementation.</p>
	<b>Engagement and payment for Consultants</b>	<p>A focused audit of the procurement process is on-going which is reviewing and evaluating adherence to</p>

Demising Authority	Issue	Summary update
	Managers to ensure appropriate monitoring processes are in place and maintained through to the new Authorities	the Council's prescribed procurement procedures. This includes the engagement of consultants. Work is currently on going, with results being fed through the AGS process.
	<b>Implementation of PARIS system</b>  Management should continue to closely monitor progress with the PARIS system to ensure it is fully implemented and the CRRIS system decommissioned by July 2009 without any further slippage	It was planned to implement the final phase of PARIS in February 2010, however the delivered software was unusable and the supplier was unable to indicate a date when a working version of the software could be delivered.  As a consequence, operation of CRRIS must continue for some months beyond February 2010 and possibly longer.  Cheshire East Internal Audit continues to monitor progress and provide assurance on PARIS.
	<b>Awareness of Whistleblowing Policy</b>  Need to ensure that staff awareness of corporate policies and procedures, including the whistleblowing policy, is raised. This should be incorporated into induction arrangements for new staff including those on temporary contracts.	The whistle blowing protocol was approved in October 2008. One aspect that needs to be developed is the link between this protocol, the safeguarding agenda and the “no secrets” policy within “People” services. There is now a summary of the protocol on the intranet and internet and this route has been used for a number of whistleblowing reports.  Work has commenced to ensure that the process complies with best practice.
	<b>Capacity</b>  Future actions need to be determined through budget and service planning processes.	No work planned.
<b>Congleton</b>	<b>Code of Corporate Governance</b>	A Code of Corporate Governance was approved by

Demising Authority	Issue	Summary update
<b>Borough Council</b>	Ensure a Code of Corporate Governance is adopted at the earliest opportunity.	the Governance and Constitution Committee in November 2009. Work is necessary to complete an initial self- assessment against the CIPFA/SOLACE Good Governance Framework (In this way compliance with the Council's Code of Corporate Governance will be evidenced.
	<b>Single Status</b>  Hoped that CE will complete the work carried out by Congleton Borough Council on single status and it is recommended that any upward revision of salaries should be backdated to 1 <sup>st</sup> October 2006, subject to affordability.	This remains under review by HR and has been discussed with relevant Union officers. As staff are placed and recruited into jobs within Cheshire East this issue becomes less of a risk to Cheshire East. Job evaluation and equal pay are issues being addressed by Cheshire East but it is likely to be inappropriate to now implement retrospectively any potential job evaluation issues from the predecessor authorities.
	<b>Judicial review costs</b>  Congleton Borough Council holds the benefit of funding agreements entered into with 9 other authorities in respect of the Court of Appeal case regarding LGR which should produce contributions in respect of any DCLG legal expenses which may be claimed in the future. The 10 <sup>th</sup> contributing authority is Crewe and Nantwich Borough Council which will produce no net contribution as it is one of the constituent authorities of Cheshire East Council.	All contributions expected for judicial review costs have been collected. A remaining issue related to the likelihood of the government making a claim for their costs in defending the judicial review (which the ruling entitled them to make). No claim has been made and it can now be assumed that one is unlikely to be made given the circumstances and reorganisation. Should the government make the claim, the funding agreements allow a contribution to be made from contributing authorities. These remain in safekeeping and would be used if ever required.
<b>Crewe &amp; Nantwich Borough Council</b>	<b>Constitution</b>  Alterations to the Constitution	In February 2009 Cheshire East Council formally adopted its Constitution to take effect from 1 April 2009. An updated version as since been adopted to take effect from 14 December 2009.

Demising Authority	Issue	Summary update
	<b>Partnerships</b>  (a) Improved guidance/training should be provided to Members on their partnership roles and responsibilities; and (b) A Partnership Policy should be in place which identifies the protocols required for partnership working	Identified as part of the AGS assessment, to be progressed by the Governance Working Group.
	<b>Risk Management</b>  Core matters relating to risk management which have remained outstanding during 2008/09 are: (a) A Risk Panel including Officer/Member representation should be formed; (b) The Risk Register should reflect more clearly risks relating to the Council's key objectives; and (c) Refresher training for Members and Senior Officers should be provided	Subject to separate update report.  Cheshire East does have a Corporate Risk Group and has developed it strategic risk register. There is an action plan in place for embedding risk management and for continuous improvement
<b>Macclesfield Borough Council</b>	<b>Data Quality Strategy</b>  CE will need to maintain vigilance with regard to data quality to ensure the new authority is confident in its information and processes from day one	A review of the current National Indicator processes and controls in place within Cheshire East Council was undertaken as part of the 2009/10 audit plan. A draft audit report was issued in December 2009 and will be finalised in the fourth quarter.
	<b>Counter fraud arrangements</b>  Cheshire East will need to approve a Whistleblowing Policy and an Anti Fraud and Corruption Policy which staff and Members must then be trained to use	The Anti Fraud and Corruption Strategy was approved by cabinet in June 2009 following consultation with the Governance and Constitution Committee. The strategy was discussed at Senior Management Team and a summary document circulated in July 2009 and the policy is in a prominent place on the intranet. The contents should now be included in staff induction and further



Demising Authority	Issue	Summary update
		<p>awareness raising will form part of an “ethical standards” aspect of the Corporate Training programme.</p> <p>The Anti Money Laundering policy was approved by cabinet on 6th October 2009 following extensive consultation with internal officers and the Governance and Constitution Committee.</p>
	<p><b>Code of Corporate Governance</b></p> <p>CE will need to approve a Code of Corporate Governance which staff and Members must then be trained to use</p>	<p>See Above.</p>
	<p><b>Area/Neighbourhood Forums</b></p> <p>Area/neighbourhood forums should be developed by CE to improve community engagement and service delivery</p>	<p>The Local Area Partnerships (LAPs) for Cheshire East are now in place and all have action plans. The LAPs link to the Thematic partnerships and the overall Local Strategic Partnership.</p>