# Annual Governance Statement 2010/11

**Introduction**

The preparation and publication of this Annual Governance Statement is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit (England) Regulations 2011.  This requires an authority to "conduct a review at least once in a year of the effectiveness of its system of internal control" and to "prepare an annual governance statement, prepared in accordance with proper practices in relation to internal control".

The "proper practices" to which the Authority conforms are as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) in their 2007 Framework 'Delivering Good Governance in Local Government'.

**Scope of Responsibility**

Craven District 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.

Craven District 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 include arrangements for the management of risk.

The Council has approved and adopted a Local Code of Governance (the Code).  A copy of the Local Code can be obtained from the Council's  website **www.cravendc.gov.uk**  or by writing to:-  Financial Services,  Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire,  BD23 1FJ.

This Governance Statement explains how Craven District Council has complied with the Code and sets out significant governance issues that will be addressed during 2011/12.

**The Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community.  It enables the authority to monitor the achievements 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.

The Governance Framework has been in place at the Council for the year ended 31$^{st}$ March 2011, and up to the date of the approval of the Statement of Accounts.

**The Governance Framework**

The Council has approved and adopted a Local Code of Annual Governance which is consistent with the six principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

The six core principles are:

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

- Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

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

- Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- Principle 5 –Developing the capacity and capability of members and officers to be effective.

- Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability

The key elements of the Council's systems and processes that comprise our governance arrangements in accordance with the six principles include:

- An approved "Local Code of Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance
- The designation of the Chief Executive as the Head of Paid Services
- The designation of the Corporate Head of Financial Management as Section 151 Officer  in accordance with Section 112 of the Local Government Finance Act 1988
- The designation of the Strategic Manager – Legal and Democratic Services as Monitoring Officer
- The maintenance and review of the Council's Constitution including:   Standing Orders; Financial Regulations; Committee Membership and Terms of Reference; Scheme of Delegation to Officers; and Members and Employee Code of Conduct
- The Audit and Governance Committee which receives regular reports monitoring the Council's governance arrangements
- The Overview and Scrutiny Committee which receives regular reports monitoring the Council's performance
- The work of the Standards Committee
- Corporate planning processes through the Council's Performance Management Framework including the production of a Council Plan setting out the Council's Vision and Priorities
- Financial management and reporting including budgetary control

- Asset management processes including the implementation and review of an Asset Management Plan
- Performance Management through the implementation of the Council's Performance Management Framework
- An approved Corporate Risk Management Strategy which includes the maintenance of a comprehensive risk register
- Partnership evaluation arrangements
- The implementation and review of a Workforce Strategy
- Anti Fraud and Corruption Policy
- Whistleblowing Policy
- Complaints, Comments and Compliments Procedure
- Process for community engagement, involvement and consultation

**Review of Effectiveness**

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This review of effectiveness is informed by the work of the Council's Leadership Team, who have responsibility for developing and maintaining the governance environment, the Head of Internal Audit's annual report, and also by the comments made by external auditors and other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage the main risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances, and should result in an action plan for addressing significant internal control issues.

This document is produced as a result of that review in respect of the 2010/11 financial year.

Key roles in maintaining and reviewing the effectiveness are performed by:

**The Council**
The Council is the supreme body of Members and has overall responsibility for the Council's policy and budget framework, which includes adoption of, and any fundamental changes to, the Council's Constitution.

**Policy Committee**
The Policy Committee is responsible for exercising the Council's powers within the budget and policy framework in the non-regulatory areas of its functions. It is also charged with making recommendations to the Council on the budget and framework and any plans, policies or strategies that have a significant corporate impact.

**Overview and Scrutiny Committee**
This Committee plays an important part in Members' influence on the Council's governance, including holding the decision-makers to account, primarily through the call-in procedure, contributing to policy development and review.

**Audit and Governance Committee**
The Audit and Governance Committee has overall responsibility for ensuring the effective development and operation of corporate governance within the Council and ensuring compliance with best practice. The Committee's remit includes internal and external audit

activities, the control environment, risk management and the review and approval of the Council's annual Statement of Accounts.

The Committee is also responsible for maintaining the Council's Constitution and for conducting community governance reviews within the District.

### Standards Committee

The Standards Committee has responsibilities relating to the Council's ethical framework. It monitors compliance with codes and protocols, reviews the operation of the Members' Code of Conduct, ensures the provision of effective training and is responsible for the system that ensures complaints relating to alleged breaches of this Council's and the Parish Councils' Codes of Conduct are dealt with. The Committee is a consultee on all elements of the Constitution relating to the ethical framework, i.e. local codes and protocols.

### Monitoring Officer

The Council's Monitoring Officer, the Strategic Manager Legal and Democratic Services, and the Council in general, oversee the operation of the Constitution in order to ensure that its aims and principles are given full effect. A Corporate Governance Working Group, consisting of the s151 officer, the Monitoring Officer, other relevant officers and Members, oversees the review of the governance framework, and prepares the Annual Governance Statement for approval at the Audit and Governance Committee.

### Internal Audit

The work of the Council's Internal Audit Service is in compliance with the CIPFA 2006 Code of Practice on Internal Audit in Local Government in the United Kingdom.

The Council formally appointed Harrogate Borough Council to provide its Internal Audit Service from 1$^{st}$ April 2010. The overall opinion of the Council's Internal Audit is that:

"for the systems and areas reviewed, good progress is being made. In some areas, fundamentally sound systems of internal control are in place. In other areas the Authority is moving in a positive direction. In determining its opinions, Internal Audit takes into account that in some areas comprehensive internal controls cannot be put in place (for example on the segregation of duties) as a result of management decisions on staff resources."

Additional weaknesses identified through the Annual Governance Statement process are recorded separately as an Appendix to that Statement and reflect the assurance provided from all sources both internal and external.

### External Audit

The external audit of the Council is provided by the Audit Commission. Whilst external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance. The Council believes that a proactive relationship with the Audit Commission strengthens its governance arrangements. Regular meetings have taken place to cover corporate matters and accounting and internal audit matters.

Conclusions and significant issues arising have been included in their report to those charged with governance. The 2009/10 Audit highlighted a number of governance issues, which were incorporated into the Annual Governance Report Action Plan. All recommendations that were to be actioned during 2010/11 have been implemented.

### Significant Governance Issues

It is stressed that no system of control can provide absolute assurance against material mis-statement or loss. This statement is intended to provide reasonable assurance.

Significant Governance Issues are included in Appendix A.  Appendix B sets out the major issues arising from the work of Internal Audit ('priority 1' issues).  Under the Council's governance arrangements, all internal audit recommendations are reported through the Audit and Governance Committee.  Outstanding Priority 1 issues arising during 2010/11 and brought forward from the previous year have been set out in Appendix B.

The governance issues set out in Appendices A and B will be addressed during 2011/12. Progress on actions identified to address the recommendations of the Audit Commission's report will be subject to regular monitoring by the Council's Audit and Governance Committee.

| Appendix A | | SIGNIFICANT GOVERNANCE ISSUES 2010/11 | | |
|---|---|---|---|---|
| Ref | Gaps in 2010/2011 | Improvement Action | Responsible Officer | Timescales |
| 1 | Audit Commission Annual Governance Report 2009/10 | Review the Workforce Strategy and develop workforce planning over a longer timeframe so that it is fully aligned with the Council's financial plans | Corporate Head of Business Support | 31 March 2012 |
| 2 | Approach to producing financial statements | To continue to improve the approach to producing financial statements by enhancing the skill set of those involved | Corporate Head of Financial Management | 31 March 2012 |
| 3 | Asset Management Plan | Produce revised Asset Management Strategy | Deputy Chief Executive | 30 September 2011 |
| 4 | Elements of council Constitution out of date | To continue to review and update outstanding sections as necessary | Corporate Head of Financial Management<br><br>Strategic Manager Legal and Democratic Services | 31 March 2012 |
| 5 | Intended action to review performance and risk arrangements in key partnerships not completed due to changes to partnership arena within North Yorkshire | Develop a high level Partnership Framework to govern the Council's involvement in and management of partnerships | Deputy Chief Executive | 31 March 2012 |
| 6 | Audit Commission Annual Governance Report 2010/11 | Review of procedures / systems relating to the approval of related party transactions and controls over the outsourced Payroll system | Corporate Head of Financial Management | 31 March 2012 |

**Appendix B**
**SIGNIFICANT GOVERNANCE ISSUES 2010/11 (Outstanding Priority 1 issues arising from Internal Audit Work)**

**Audit Report IT 05-02 Disaster Planning, Backup & Recovery dated Oct 2006 (Implementation Review Feb 08) (LIMITED ASSURANCE)**

| Priority 1 Issue | Improvement Action | Responsible Officer | Timescale |
|---|---|---|---|
| IT Disaster Recovery Plans should be formulated, to help ensure that disasters affecting IT assets do not adversely impact relevant business processes to an extent considered unacceptable to the Council. They should include: Instructions for recovery of all hardware, operating systems and software, within timescales identified by the risk assessment process; Procedures for procurement and installation of replacement equipment; Procedures for reporting and escalating a disaster to appropriate levels of management. Contact details of all relevant personnel and essential suppliers; and Procedures to ensure that the plans are kept up-to-date. | The Council has completed the virtualisation of the existing server infrastructure. The next stage is to re-develop existing disaster recovery plans to align to the new infrastructure and capture further changes being brought about by the move to Belle Vue Square in September 2011. At present there is a process in place to store and replace all data held on the Council I.S. systems. This is being expanded to include business continuity requirements. | IS Manager | To be implemented 12/09/11 |

| 01-01 Sundry Debtors (PARTIAL ASSURANCE) | | | |
|---|---|---|---|
| Periodically the Property & Estates team should review the standing data held on Agresso to ensure that it is still current and that the generated invoice will be accurate | Work with the Finance Team to achieve Agresso access for all members of the Property team | Project Manager (Assets) | 31 March 2012 |
| A formal debt recovery procedure should be introduced to ensure that debts are recovered in a more systematic and timely manner | Addition of a Court Module to Agresso will be reviewed as part of the Agresso upgrade which is scheduled to completed November 2011 | Finance Support Officer | 30 November 2011 |
| **02/02 Payments & Creditors (PARTIAL ASSURANCE)** | | | |
| There must be a segregation of duties between the Finance team member who creates and amends supplier details and the individual who pays the suppliers | To be actioned as part of the Financial Services Review | Corporate Head of Financial Management | 31 October 2011 |
| **C1/5 Treasury Management (PARTIAL ASSURANCE)** | | | |
| A review of the Council's | The updated Treasury | Principal Accountant | November |

| | | | |
|---|---|---|---|
| 2010/11 Treasury Strategy Statement identified that it had not been updated in line with the new CIPFA Code of Practice 2009, and approved by full Council | Management Strategy, Policy and Practices will be presented to Policy Committee prior to going to full Council | (Capital / Treasury) | 2011 |
| The Treasury Management Practices document is still in draft form (since 2006) and has thus not been approved by Council | As above | As above | November 2011 |

Through the actions referred to above, we propose, over the coming year, to address the issues that have been identified, with a view to further enhancing our governance arrangements.  We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.


**Signed**                                             **Signed**




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**Councillor S Place**                       **Paul Shevlin**

**Chairman of the Audit & Governance**    **Chief Executive**
**Committee**