

AGENDA ITEM: 6

SUMMARY



Report for:	Audit Committee
Date of meeting:	30 May 2012
PART:	1
If Part II, reason:	

Title of report:	ANNUAL GOVERNANCE STATEMENT
Contact:	Cllr A Williams, Leader of the Council Cllr N Tiley Portfolio Holder for Finance & Governance D Zammit, Chief Executive S Marshall, Corporate Director (Finance & Governance) S Baker, Assistant Director (Legal, Democratic & Regulatory) S Flynn, Assistant Director (Finance & Resources)
Purpose of report:	To inform the Audit Committee of the draft Annual Governance Statement 2011/12 and to seek comments for amendments or inclusions prior to the completion of a final draft.
Recommendations	That the Statement is received and that the Audit Committee provides comments on the draft for inclusion.;
Corporate objectives:	Dacorum Delivers: value for money; performance excellence; reputation and profile delivery. The Annual Governance Statement provides public assurance that the Council has appropriate and effective arrangements governing the conduct of its business, and that systems of internal control are operating effectively and support continuous improvement and value for money.
Risk Implications	Maintaining appropriate and effective governance arrangements helps to ensure that the Council makes effective decisions based on appropriate information and that there is a due process to ensure that those decisions are properly implemented. Failure to maintain effective governance also exposes the Council to increased risk of financial management and fraud.
Implications:	<u>Financial</u> None from this report. <u>Value for Money</u>

'Value For Money Implications'	None from this report
Consultees	None
Background papers	Annual Governance Statement 2010/11 Annual Audit Letter 2010/11

ANNUAL GOVERNANCE STATEMENT 2011/12

Introduction

Dacorum Borough Council is committed to ensuring that good governance principles and management practices are adopted. This Annual Governance Statement has been produced in accordance with the CIPFA/SOLACE¹ framework “Delivering Good Governance in Local Government” (2007) and meets the statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011, which requires authorities to prepare the statement in accordance with proper practices. ,.

The statement is an open and honest self-assessment of the Council’s performance across all of its activities and contains a statement of the actions being taken or required in the future to address areas of concern. It is inevitable that, during a rigorous review of the Council’s operations, issues will be identified to be addressed and a key element of good governance is to ensure that there is a clear action plan for addressing these issues.

The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council’s activities. The statement includes details of how the Council:

- implements its policies;
- delivers high quality services efficiently and effectively;
- meets its values and ethical standards;
- complies with laws and regulations;
- adheres to required processes;
- ensures financial statements and other published performance information are accurate and reliable;
- manages human, financial, environmental and other resources efficiently and effectively.

The self-assessment contained within this statement has been undertaken taking account of assurance statements provided by managers from across the organisation together with regular reviews of risk management. It has also taken account of Internal Audit reports.

In preparing this statement, account has been taken of both the statutory codes and the ethical governance tool-kit produced by the IDEA² and the CIPFA Financial Advisory Network.

The importance of Governance

Good governance leads to good management, good performance, good stewardship of public money, good public involvement and, ultimately, good results for residents and other service users. Good governance enables the Council to pursue its “Vision” effectively as well as underpinning that “Vision” with mechanisms for control and management of risk.

¹ CIPFA – Chartered Institute of Public Finance and Accountancy
SOLACE – Society of Local Authority Chief Executives and Senior Managers

² IDEA - Improvement and Development Agency

Whatever our successes in the past, we can make no assumptions about the future. In a fast-changing world the maintenance of high standards of good governance requires constant vigilance.

Good governance means:

- focusing on the purpose of the authority and results 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 the values of the Council and 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;
- involving local people and other stakeholders to ensure strong public accountability.

Scope of responsibility

Dacorum Borough 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 including the management of risk.

Whilst the Cabinet and senior management are responsible for delivering the Council's services and activities within these arrangements, the Audit Committee is responsible for reviewing the effectiveness of these arrangements on behalf of the Council. The Committee is also responsible for making any recommendation necessary as a result of its review or of any issue it identifies as a result of reports from external agencies such as the Audit Commission or the Local Government Ombudsman.

Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the authority is directed and controlled and through which it accounts to, involves 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 Council's system of internal control is a key element of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The 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 and objectives. It evaluates the likelihood of those risks coming to fruition and their impact should they do so and identifies ways to manage them efficiently, effectively and economically.

The governance framework has been in place throughout the financial year which ended on 31 March 2012 and continues to be in place up to the date of the approval of the statement of accounts.

In drawing together this Statement the Governance Framework has been examined by reviewing the Council's arrangements for the following issues:

- The arrangements for identifying and communicating Dacorum Borough Council's vision and intended outcomes
- Reviewing the "Vision" and its implications for governance arrangements
- Measuring the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent best value for money
- Defining and documenting the roles and responsibilities of members and officers
- Developing, communicating and embedding codes of conduct and defining standards of behaviour for members and staff
- Reviewing and updating the Constitution, Financial Regulations, Scheme of Delegation and Contract procedure Rules which clearly define how decisions are taken and the processes and controls to manage risks
- Undertaking the core functions of an Audit Committee
- Ensuring that laws and regulations and internal policies and procedures are complied with and that expenditure is lawful
- Whistle-blowing and investigating complaints from the public
- Identifying the development needs of Members and Senior Officers and providing appropriate training
- Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation
- Incorporating good governance arrangements in respect of Partnerships

The Governance Framework

The arrangements for identifying and communicating Dacorum Borough Council's vision and intended outcomes.

The Council has worked with its partners in the Dacorum Local Strategic Partnership (LSP) to develop the Community Strategy "Towards 2021 – the Dacorum Sustainable Community Strategy". This provides long-term ambitions for the Borough through to 2021.

Within this context, during 2010/11 the Council reviewed its overall vision and priorities for its local communities. The Council's aims are captured within its Corporate Plan which sets out local community priorities. The six priorities that were included in the 2010/14 Corporate Plan were:

- Our Community
- Our Environment
- Resources & Value for Money
- Economic Development and Regeneration
- Affordable Housing
- Our Profile & Reputation

These priorities promoted the Council's "Vision" and determined improvement plans that were set at the beginning of the financial year. In October 2010 a new vision was set of Dacorum:

“Working in partnership to create a Borough which enables the communities of Dacorum to thrive and prosper” through the delivery of five priorities:

- Building Community Capacity
- Safe and Clean Environment
- Affordable Housing
- Regeneration
- Dacorum Delivers.

To help engage communities in setting and achieving this vision and priorities, Dacorum Borough Council is committed to reviewing and improving services to make sure it is providing the services needed by local people. The comments we receive from the Citizens Panel are valued and used as part of this process. The Panel consists of over one thousand Dacorum residents and is representative of the profile of the Borough in terms of gender, age, ethnic origin and geographical location. Panel members are asked to complete surveys during the year on a variety of topics.

The Council has also taken steps to improve communications with service users through the website to improve accessibility, the corporate complaints procedure, ‘GovMetric’ to obtain customer satisfaction information and the use of social media such as facebook and Twitter.

To support the overall vision and aims, the Council has continued to review its Medium Term Financial Strategy and 5 year Capital Programme. Reviews were undertaken during 2011/12 and also as part of the budget preparation for 2012/13. With regard to the Capital Programme, this has included aligning resources to priorities through an appraisal and scoring of new schemes based on the Council’s key priorities. Budget consultation has taken place with participants drawn from the Citizens Panel and facilitated by Opinion Research Services of the University of Wales and by use of the ‘You Choose’ consultation tool on the Council’s website and other social media..

The Improving Dacorum Programme (IDP) is the framework employed by the Council to organise a large number of projects that are in place to deliver the Council’s vision and priorities. Every IDP project is defined and resourced with named individuals responsible for project and programme delivery.

Reviewing the “Vision” and its implications for governance arrangements

The Council’s Corporate Plan is reviewed by Cabinet and then Council. The plan was last reviewed during 2009/10 to ensure that it was fit for purpose and is designed to cover the five-year period 2010-14. The updated plan was considered by Cabinet in September 2009 for referral to Council for approval. Council approved the updated plan which was published on the Council’s website www.dacorum.gov.uk. In 2011/12 a supplementary version was developed to incorporate key priorities and projects following a review of member priorities post elections in May 2011.

Cabinet and the Corporate Management Team also review performance indicators. In October 2010 existing performance indicators were realigned to the new vision and proposed performance targets were identified when the Council considered the review of priorities. All objectives included in business plans were aligned to the vision and priorities and were reviewed corporately by CMT and all senior managers to test completeness and consistency. A corporate review of 2012/13 performance objectives was undertaken by Assistant Directors in March 2012

The “Improving Dacorum Programme” (IDP) forms part of the Council’s governance framework. The IDP framework comprises the Performance Board and the IDP officer team who lead and advise on the project management discipline adopted by the Council which is used for key projects to bring about change and improvement. The IDP is also integral to the Dacorum Delivers.

The Performance Board sets the direction of the IDP. The Board has an advisory role and makes recommendation on the types of project and how they are to be resourced to the Cabinet or Portfolio Holder (as appropriate), so that the Board’s recommendations can be carried forward into formal decisions. Projects that require capital expenditure are considered in the first instance by the Capital Strategy Steering Group (CSSG). This is largely an officer group which also includes the Finance and Resources Portfolio Holder to represent Cabinet. The CSSG appraises the projects and makes recommendations to Cabinet for referral to Council (as required).

Measuring the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent best value for money

The Council specifies service standards for those aspects of service delivery which are reflected in Service Plans. Satisfaction surveys are undertaken by key services following the provision of services.

In the preparation of their service plans, managers are required to consider a number of items including measuring the value for money provided by their service and to set out measures for improving it in the future.

Cabinet resolved on 31 March 2009 to refer the Value for Money Strategy and Policy to Council for approval. This was subsequently approved by Council on 22 April 2009. The Value for Money (VFM) Strategy and Policy sets out the Council’s aims and objectives for VFM, the method of evaluating the effectiveness of approach together with an explanation of roles and responsibilities for both Members and officers. In 2010/11 this strategy was used to provide the framework for challenge to establish whether services provided represent best value for money. In September 2011 a draft revised VFM strategy was discussed by CMT and a final revised version is to be incorporated into future corporate plans.

In the External Auditor’s Annual Audit Letter for 2010/11, reported to the Audit Committee on 8 February 2012, the Auditor reported that:-

“My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources..”

It also stated that:

“The Council has in place strong leadership and the capacity to deliver the scale of the spending reductions required of it. The Council uses suitable information on which to base decisions, and there is strong challenge on service delivery – for example, on a quarterly basis, Cabinet consider financial and operational performance against a range of key performance indicators linked to the Council’s corporate priorities.”

The District Auditor also stated that “I have not identified any significant weakness in the design or operation of an internal control”. The Letter identified no weaknesses that the council was not already aware of.

The Council has implemented an electronic performance management system – Corvu, this has been used to manage a range of performance issues, including the transition from a system of national indicators to the use of locally developed indicators. Further uses have been developed including the reporting of risk assessment and risk management, project management of key projects and reporting progress against quarterly business milestones.

Project management has been strengthened through IDP. All projects are linked to the "Vision" and follow the corporate project management methodology. All are now reviewed through a monthly Performance Review meeting attended by the Leader, the Portfolio Holder for Service and Performance Improvement, the Chief Executive and the Corporate Director (Performance Improvement & Transformation) and Assistant Director (Strategy & Transformation, Community & Organisation).

Defining and documenting the roles and responsibilities of Members and officers.

The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. During 2010/11 the Council approved new and comprehensive role descriptions for the Leader, Cabinet Members, Chairmen of the Overview and Scrutiny, Regulatory and Audit Committees, and Ward Councillor, and these have been included in the Council's Constitution. In November 2010 the Council adopted the new Leader and Cabinet Executive (England) model which came into effect at the Annual Meeting in May 2011.

The Council appoints the Mayor, Deputy Mayor and the Leader of the Council. The Leader appoints the Deputy Leader and the Cabinet Members and allocates to them responsibility for the various executive functions or "Portfolios".

Additionally, the Council appoints a number of Committees to discharge the Council's regulatory and scrutiny responsibilities. These responsibilities, together with the delegated responsibilities of officers, are set out in Part 3 of the Council's Constitution 'Responsibility for Functions'.

These have been communicated to both Members and officers through training and development sessions during the year, resulting in the "Member Charter" being retained. . All Committees and the various internal corporate officer groups supporting the Council's governance framework also have defined terms of reference. The officer groups include the Capital Strategy Steering Group, and four Corporate Working Groups. These were established in January 2012 to oversee strategic and operational management of the council's developing business and are: the Corporate Regeneration Working Group, the Environment Corporate Working Group, The Organisational Transformation Corporate Working Group and the Localism Corporate Working Group. .

The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements and internal control environment.

The Council's Chief Executive, as the Council's Head of Paid Service, has overall corporate policy management and operational responsibility and chairs the Corporate Management Team. Cross-organisational management groups were also created in 2011/12 for Assistant Directors and Group Managers to address cross-directorate operational issues.

All staff have clear conditions of employment and job descriptions which set out their roles and responsibilities. Job descriptions are reviewed as part of the annual performance appraisal.

A realignment of the senior management tier concluded in December 2010 and the Council implemented a new senior structure below the Chief Executive, comprising of three tiers as follows:

- Corporate Directors
- Assistant Directors
- Group Managers

The Corporate Director (Finance & Governance), as the Council's Section 151 Officer, has overall responsibility for the administration of the financial affairs of the Council, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control. The finance function provides support for, the budget preparation and financial monitoring process. The Corporate Director (Finance & Governance) is the lead officer for the Audit Committee. The Corporate Director (Finance & Governance) has nominated the Assistant Director (Finance & Resources) as the Deputy Section 151 Officer in her absence.

The Assistant Director (Legal, Democratic & Regulatory), as the Council's Monitoring Officer, has overall responsibility for legal compliance and has appointed the Group Manager (Legal Governance) as the Deputy Monitoring Officer. All Legal Services staff work closely with departments to advise on legal requirements. The Assistant Director (Legal, Democratic & Regulatory) is also the lead officer on Member and employee conduct and supports the Standards Committee and its Sub-Committees.

Developing, communicating and embedding codes of conduct and defining standards of behaviour for members and staff

The Council has adopted a Code of Conduct for Members which includes the mandatory provisions of the revised statutory Model Code of Conduct.

All elected and co-opted Members sign a declaration of acceptance of office and an undertaking to observe the Code. The Council has also provided general training on the Code for Members and specific training on complaint handling for the members of the Standards Committee.

Part 5 of the Constitution contains the codes and protocols. The member code sets out 10 general principles: Selflessness; Honesty and Integrity; Objectivity; Accountability; Openness; Personal Judgement; Respect for Others; Duty to Uphold the Law; Stewardship and Leadership. Compliance with the Member's Code of Conduct is monitored by the Standards Committee.

- Part 5 of the Constitution also contains sections on:
 - Interests
 - Registration of Members' Interests
 - Code of Conduct for Employees
 - Protocol for Member/Officer relations
 - Planning Code of Practice
 - Whistle Blowing Policy

Training on the Employees' Code of Conduct as well as governance issues, has been provided during the year. The Employees' Code of Conduct is included within the officer Induction training programme.

Reviewing and Updating the Constitution, Financial Regulations, Scheme of Delegation and Procurement Standing Orders which clearly define how decisions are taken and the processes and controls to manage risks

The Council's Constitution sets out how the Council operates and the processes for policy and decision making. Various amendments have been made to the Constitution and approved by Council during 2011/12 to enable the Constitution to remain fit for purpose.

During 2011/12 Financial Regulations were subject to full review and in September 2011 the Council adopted a revised set of regulations designed to simplify the regulations themselves, affirm responsibilities for financial management across the Council and to specify key financial thresholds. The draft regulations were reviewed by Finance & Resources Overview and Scrutiny Committee and the Audit Committee before being presented to Cabinet for recommendation to Council.

The Council has overall responsibility for the approval of the financial and policy framework, namely: the Council's Budget, Medium Term Financial Strategy, the Corporate Plan, the Development Plan and other plans and strategies that have a borough-wide application.

The Cabinet is responsible for the discharge of most of the main functions of the authority that are not the responsibility of full Council. As such, the Cabinet is the main decision-making body of the Council and its decisions, whilst subject to scrutiny, are ultimately not capable of being overturned, other than through legal proceedings. The Cabinet also makes recommendations to Council for approval on financial and policy framework matters.

The decision making process is reviewed by a scrutiny function which has the power to call in decisions made, but which also undertakes some pre-decision scrutiny and some policy development work.

Authority to make day to day operational decisions is detailed in Part 3 of the Council's Constitution 'Responsibility for Functions'.

Procedures governing the Council's operations include Financial Regulations, Procurement Standing Orders and the Risk Management Strategy. Ensuring compliance with these procedures is the responsibility of managers across the Council. Internal Audit checks procedures are complied with as part of the Annual Audit Plan. In addition key corporate strategies provide the framework for key decisions: these include the Corporate Plan, Medium Term Financial Strategy, Capital Strategy and Asset Management Plan.

The Finance & Resources Overview and Scrutiny Committee oversees the effectiveness of the risk management arrangements.

The Procurement Governance Framework includes the Procurement Standing Orders, Procurement Strategy, Selling to the Council Guide, Small and Medium Entity Protocol and Terms of Reference for the Procurement Group.

The Council's Corporate Business Continuity Plan is in place. The Plan was tested during 2011/12 along with emergency planning and contact arrangements. The Council also has a number of service specific business continuity plans in place.

Undertaking the core functions of an Audit Committee.

The Audit Committee has been established by the Council. When the Committee was established its terms of reference were prepared to ensure that it complies fully with the advice provided by CIPFA³. The key areas covered by the terms of reference of the Committee are Audit Activity, Regulatory Framework, Accounts and Ombudsman.

Ensuring that laws and regulations and internal policies and procedures are complied with and that expenditure is lawful.

All reports going to Cabinet or Portfolio Holders are properly scrutinised for governance issues by the Statutory Officers. Reports to Council, Cabinet and Portfolio holders for Portfolio Holder decisions contain comments from the Monitoring Officer and the Section 151 Officer.

All Cabinet draft reports are made available for the Statutory Officers to review and comment upon prior to submission to Member Support for publication. Any legal or financial issues arising out of the draft reports are discussed with the report author and resolved prior to the report being issued to Member Support who then compile the agenda and publish the reports.

The Report Template requires the report author to consider and provide the following information:

- Whether the report is part I or part II (part II items contain confidential or exempt information from which the general public are excluded – when an item is classified as part II then a reason has to be provided)
- Purpose of the report
- Recommendations
- Link to Corporate Objectives
- Financial and Value For Money Implications
- Risk Implications
- Equalities Implications
- Health and Safety Implications
- Monitoring Officer Comments
- S151 Officer Comments
- Consultees
- Background papers

Statutory Officers, Directors and Assistant Directors provide further representations and assurances in the form of signed assurance statements, that sound systems of internal control and processes for managing risk have been implemented within the service areas for which they are responsible and that the Council's own internal controls have been complied with. Assurance statements have to be submitted to the Assistant Director (Legal, Democratic & Regulatory).

³ Audit Committee – Practical Guidance for Local Authorities published 2005.

Compliance with the Regulation of Investigatory Powers Act (RIPA)

The Council is required to monitor its use of covert surveillance under RIPA. The Assistant Director (Legal, Democratic & Regulatory) submits an annual statistical return to the Office of the Surveillance Commissioner on the use of covert surveillance.

In compliance with the revised Home Office Codes of Practice the Assistant Director (Legal, Democratic & Regulatory) has been designated as the Council's Responsible Officer with overall responsibility for ensuring that the Council complies with RIPA and with the Council's own policy and procedures on the use of covert surveillance. In 2011/12 the Assistant Director (Legal, Democratic & Regulatory) submitted quarterly monitoring reports to the Council's Scrutiny Committees and will submit an annual report to the Audit Committee in 2012/13 as part of the Council's overall governance arrangements.

Whistle-blowing and investigating complaints from the public.

The Council takes fraud, corruption and maladministration very seriously and has the following policies that aim to prevent or deal with such occurrences

- Anti-Fraud Policy
- Whistle-blowing Policy
- Human resources policies regarding the disciplining of staff involved in such incidents.

Training is provided as part of the induction programme for new employees on Counter Fraud and Whistleblowing. In 2011/12 a review of these arrangements began, including an assessment of understanding of these arrangements across all council staff. A survey of staff and Members undertaken by the Council's Internal Auditors indicated a high level of awareness. However, the returns were used to develop a programme of counter-fraud awareness-raising activities to further increase assurance.

A corporate complaints procedure is in place for the Council to receive and investigate any complaint made against it, or against a member of staff. Complaints against Members relating to alleged breaches of the Members Code of Conduct are subject to a separate complaints process for which the Monitoring Officer and Standards Committee are responsible for dealing with, as referred to above.

Identifying the development needs of Members and Senior Officers and providing appropriate training.

The Council aims to ensure that Members and employees have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council

In July 2009 the Council endorsed the commitment to the East of England Charter for Elected Member Development. The Member Charter is a statement of commitment to develop and support elected members. The Charter enables the Council to adopt a structured approach to councillor development and to build elected member capacity. In 2010/11 the Council was awarded the Member Charter and this status was retained in 2011/12 following independent assessment.

Member training attendance is registered and monitored.

Annual Performance Appraisals of staff are carried out which identify competencies and any training needs. These competencies have been developed to reflect skills and abilities needed to deliver services throughout the organisation and are in the context of the National Skills Framework for Local Government. All Council employees have individual training records, held on the Council's Employee Information System providing details of the courses attended.

During 2011/12 the Performance Appraisals system was developed to incorporate the Council's competency system designed to develop a 'High Performance Environment'. The High Performance Environment approach sets standards of behaviour and performance for all staff and assessments of these standards are undertaken as part of annual performance reviews undertaken at year end and interim reviews carried out during the year.

The Council has retained the Investors in People accreditation following a reassessment in 2011/12.

Establishing clear channels of communication with all sections of the community and stakeholders and encouraging open consultation.

The Council's planning and decision-making processes are designed to include consultation with, and the submission of views by, local people and stakeholders.

Arrangements for consultation and gauging local views include consultation with the Town and Parish Councils, the Tenant and Leaseholder Committee, Citizens Panel and resident associations.

The Council works extensively in partnership. The Local Strategic Partnership, known as the 'Dacorum Partnership' shapes the Sustainable Community Strategy which links closely to the Council's Vision and Priorities. In June 2011 a paper was taken to the LSP Board consulting about change to the structure and function of Dacorum Partnership. The changing political, financial and partnership environment necessitates a fundamental re-think about the function and form that the Local Strategic Partnership should take. The Partnership's Executive have recommended a restructure which will be implemented in 2012/13. The Sustainable Community Strategy will be refreshed once the new structure is in place.

During 2011/12 the Council operated a Local Petition Scheme which assists members of the public, or community and voluntary organisations, to communicate their needs and concerns through petitions. We have also been working with a number of neighbourhood action groups to set the agenda for future improvements to local areas. The Council's magazine "Dacorum Digest" and the Dacorum Borough Council website are the principal methods for communicating with the Borough's 141,600 residents on the roles and responsibilities of the Council together with its plans for the future. The use of social media has also been developed through Facebook and Twitter

Incorporating good governance arrangements in respect of Partnerships

The Council has participated in a number of partnerships aimed at improving the services it provides to the community, such as the Dacorum Partnership and various Community Safety Partnerships.

When drawing together different partners with varying organisational cultures and methodologies for handling governance issues, it is important that clear protocols are established at an early stage to minimise and manage risk.

In order to ensure optimal benefits are realised from partnerships, the Council approved a Partnership Framework in 2009. As part of this framework a partnerships register was established in mid 2009. The Partnerships register was reviewed in November 2011 ensuring that up to date partnership assessment forms were held and that any expired partnerships were removed from the register. This annual review also identified new partnerships which were added to the register. The partnerships register will continue to be reviewed annually and from 2012 a Partnerships status report will be taken to Cabinet to ensure that Council formally approves the list of partnerships that the Council is committed to.

A REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK AND SYSTEM OF INTERNAL CONTROL

Dacorum Borough 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 effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of governance systems, the Internal Audit Annual Report, and also recommendations and comments made by the External Auditors and other review agencies and inspectorates.

The process applied in maintaining and reviewing the effectiveness of the governance framework

The Council's key players in the process are summarised in the following table:

Key Players	Role and Activity during the year
Council	<ul style="list-style-type: none"> ○ Approve Constitution including: Financial Regulations; Codes of Conduct; Procurement Standing Orders; Scheme of Delegation. ○ Set budget and policy framework
Cabinet	<ul style="list-style-type: none"> ○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council – quarterly reports ○ Responsibility for key decisions and initiating corrective action in relation to risk and internal control issues ○ Monthly public meetings (excluding any summer recess) ○ Regular briefings with Chief Officers
Audit Committee	<ul style="list-style-type: none"> ○ Five scheduled meetings per annum ○ Review and scrutinise the outcome of Internal and External audit reports and those of other external agencies such as the Ombudsman ○ Monitor the Governance arrangements within the Council ○ Delegated responsibility to scrutinise and approve the Financial Statements on behalf of the Council ○ To consider the External Auditor's report to those charged with Governance on issues arising from the audit of the accounts

<p>Overview and Scrutiny Committees:</p> <ul style="list-style-type: none"> o Housing & Community o Strategic Planning & Environment o Finance & Resources 	<ul style="list-style-type: none"> o To provide overview and scrutiny and policy development role in relation to business associated with the Cabinet Portfolios o To monitor the performance of relevant Council services, including services which are provided under contract or agreement by external organisations or private sector companies
<p>Standards Committee</p>	<ul style="list-style-type: none"> o Consider allegations of breaches of the Code of Conduct o Undertake the statutory functions of the Standards Committee as set out in the Local Government Act 2000 (as amended)
<p>Internal Audit – (outsourced service provided by Deloitte)</p>	<ul style="list-style-type: none"> o Set overall internal audit strategy to meet the Council’s overall direction o Undertake an annual programme of audits o Present audit reports to Management and Audit Committee o Present progress reports to Audit Committee measuring performance against the Audit Plan
<p>Chief Executive (Head of Paid Service)</p>	<ul style="list-style-type: none"> o Overall corporate policy management and operational responsibility o Chairman of Corporate Management Team
<p>Monitoring Officer (Assistant Director (Legal, Democratic & Regulatory))</p>	<ul style="list-style-type: none"> o Maintain the Constitution o Ensure lawfulness and fairness of decision making o Supporting the Standards Committee o Receive complaints, report them to the Standards Committee and take action in accordance with the Committee’s initial decision, e.g instigate an investigation and ensure the correct procedural steps are followed and appropriate assistance is given to the Committee throughout the process o Proper officer for access to information o Advise whether Cabinet and Portfolio Holder decisions are within the Council’s budget and policy framework o Provide advice and contribute to corporate management as a member of Corporate Management Team
<p>Section 151 Officer (Corporate Director (Finance & Governance))</p>	<ul style="list-style-type: none"> o Ensure lawfulness and financial prudence of decision making o Responsibility for administration of financial affairs of the Council and keep proper financial records and accounts for maintaining an effective system of internal financial controls o Contribute to corporate management as a member of Corporate Management Team o Provide professional financial advice to members including the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues o Provide financial information to the media, members of the public and community

<p>Statutory Officers Comments – Monitoring Officer and Section 151 Officer</p>	<ul style="list-style-type: none"> ○ Statutory officers review all Cabinet and Portfolio Holder Decision reports to consider and comment within the report on legal and financial implications arising out of the report ○ Review of governance issues arising out of day to day working practices ○ Consider issues arising out of the quarterly assurance statements
<p>Corporate Directors</p>	<ul style="list-style-type: none"> ○ Overall strategic and operational management of those services falling within each individual directorate ○ Contribute to corporate management as a member of Corporate Management Team
<p>Corporate Management Team</p>	<ul style="list-style-type: none"> ○ Monthly review of budget, performance and Improving Dacorum Programme ○ Quarterly review of strategic risk management
<p>Performance Board</p>	<ul style="list-style-type: none"> ○ Review performance against Council Vision and Priorities ○ Review Dacorum Delivers improvement programme projects
<p>Capital Strategy Steering Group</p>	<ul style="list-style-type: none"> ○ Representation from all directorates and Cabinet (Finance and Resources Portfolio Holder) ○ Monthly monitoring of the delivery of capital programme ○ Detailed appraisal and scoring of new schemes for recommendation to Cabinet/ consideration for recommendation to Council
<p>Corporate Working Groups</p>	<ul style="list-style-type: none"> ○ Officer/Member groups drawn from service directorates and including relevant Portfolio Holders as appropriate ○ Oversee and review delivery of all relevant operational matters and establish and receive reports from sub-groups as necessary ○ Consider options appraisals and make recommendations for CMT and Cabinet consideration
<p>Corporate Risk Management Group (subsumed within Assistant Directors Group)</p>	<ul style="list-style-type: none"> ○ Officer meetings (membership drawn from all directorates at Assistant Director Level, the Council's Risk Manager and Internal Audit) to review operational risks and business continuity
<p>Assistant Directors and Group Managers</p>	<ul style="list-style-type: none"> ○ Operational management for the services falling within each individual service area ○ Assurance Statements covering all of the Council's key internal controls, including: Financial Regulations; Procurement Standing Orders; Employees Code of Conduct; Corporate Policies; and risk management.

Statement by leading member (Leader of the Council) and leading officer (Chief Executive) of the Council

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address the weaknesses and ensure continuous improvement of the system is in place. We have identified the significant governance issues below.

Significant governance issues

Deloitte Public Sector Internal Audit Limited was appointed as Internal Auditors with effect from October 2008. The Internal Auditors have completed the programme of internal audit work for the year ended 31 March 2012.

As a result of planned audit work carried out by Deloitte Public Sector Internal Audit Ltd during the financial year, specific issues have been identified. These are set out in the following paragraphs.

Deloitte Public Sector Internal Audit Ltd undertook a total of 27 reviews in 2011/12, of which 23 (85%) were rated as providing a full or a substantial level of assurance. 4 reviews (15%) provided limited assurance. Consequently the Internal Auditor has obtained satisfactory assurance that the system of internal control in place at the Council for the year ended 31 March 2012 accords with proper practice. Further details of the reviews undertaken by Internal Audit during 2011/12 are available upon request and are summarised within the Internal Auditor's draft annual report presented to the Audit Committee on 25 April June 2012 and published on the Council's website.

The Internal Auditor noted in his annual report that "as in previous years, we have noted areas of improvement throughout the Authority, including better control over key financial systems resulting in fewer recommendations being raised." . Four limited assurance reports were issued, three of which included priority 1 recommendations. These three relate to issues that are deemed to be fundamental to the systems concerned and upon which immediate action has been taken. These relate to:

- 1) **Partnerships – sports Trust delivery plan and funding approval.** The existing funding agreement has expired and a new set of arrangements have been drafted and are subject to legal review processes. Formal confirmation of the Sports Trust's acceptance of the revised funding agreement is awaited.
- 2) **Information Management – business continuity and disaster recovery.** Existing IT infrastructure has reached the end of its operational effectiveness and systems for securing data need to be revised. A process for migrating data to a remote data storage facility at Buckinghamshire County Council has been introduced which will provide increased security and enable business continuity..
- 3) **Information Management – information security.** A theft of computer equipment from one of the Council's adventure playgrounds highlighted weaknesses in data security in relation to computer equipment at remote sites. The Chief Executive has provided a Statement of Assurance to the Information Commissioner that steps have been taken to address information security control weaknesses and that the operation of these controls will be kept under review.

- 4) **Project management (DRAFT)**. Controls relating to project management were not consistently implemented, particularly where the IDP methodology was not adopted within service departments. This has been addressed by ensuring that all key projects are controlled through the IDP approach.

Action plans have been prepared for all the areas reviewed and the Internal Audit plan for 2012/13 includes a follow-up process to provide assurance that officers have implemented all agreed recommendations. Progress against previous recommendations is reviewed by the Audit Committee.

Where this Governance Statement has identified other areas for improvement we propose over the coming year to take steps to address the above matters to enhance our governance arrangements further. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

We give our assurance that the Council as a whole is committed to continuous improvement and believe that we have established the relevant foundations on which to create further capacity to continue to develop our governance arrangements.

Signed
(Councillor Andrew Williams – Leader of the Council)

Signed
(Daniel Zammit – Chief Executive)