

2007/08 ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

The 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 also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the Council's website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

Corporate governance is the system by which local authorities direct and control their functions and relate to the communities they serve. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from *The Good Governance for Public Services* and adapted for local authorities. They are defined as follows:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that they are complying with these principles.

The governance framework comprises the systems and processes, culture and values, by which an authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 rather. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of

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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 March 2008 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

The requirement to have a robust governance framework and sound system of internal control covers all of the Council's activities. The internal control environment within the Council consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of the governance framework within the Council consist of policies and guidance, political and managerial structures and processes, strategic planning processes, management and decision making processes, financial management, compliance arrangements, risk management, internal audit, counter fraud activities, performance management, consultation and communication methods and partnership working arrangements.

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The Council's Constitution
- Codes of Conduct for Members and Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules and Procedures
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing, the Prosecution of Fraud and Corruption and dealing with complaints
- Asset Management Plan
- Strategic Risk Register
- Guide to Managing Financial Risks
- Register of Breaches and Waivers of Financial Regulations.

Political and Managerial Structures and Processes

The Council is responsible for agreeing overall policies and setting the budget. The Executive is responsible for decision making within the policy and budget framework set by the Council. The Council's Management Team has responsibility for implementing Council policies and decisions, providing advice to Members and for coordinating the use of resources and the work of the Council's Directorates.

The Executive meets every fortnight and the Council's Management Team meets every week. The Executive and the Council's Management Team monitor and review Council activity to ensure corporate compliance with governance, legal and financial requirements. The Quality Control Group also reviews reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

The Council has scrutiny arrangements which include the review of policies, budget and service delivery to ensure that they remain appropriate. Since the approval of the new Constitution in May 2006, the Council has had an Audit and Governance Committee. The purpose of the Audit and Governance Committee is to act as the responsible body charged with governance at the Council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and it oversees the financial reporting process.

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Strategic Planning Processes

The Council has developed a strategic planning process that is intended to reflect political and community objectives and act as the basis for corporate prioritisation. The Council's Corporate Strategy expresses the Council's thirteen priorities for the next three years. Champions have been appointed for each of the priorities, and they are responsible for overseeing progress. The Council has also developed a standard service planning process which is intended to improve the integration of planning, resource allocation and performance management.

Management and Decision Making Processes

The Council has established an organisational effectiveness programme which incorporates the actions arising from four of the thirteen priorities in the Corporate Strategy. The aim of the programme is to improve management and decision-making processes as well as building capacity. The programme and associated actions are being developed around the following four values;

- Delivering what our customer want
- Providing strong leadership
- Supporting and developing people
- Encouraging improvement in everything we do

Corporate management and leadership is supported and developed through the Corporate Leadership Group. Management and decision making processes are also being developed through the work of the Corporate Operations Group.

Financial Management

The Director of Resources (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the Council's financial affairs, including making arrangements for appropriate systems of financial control. The Council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision.

Compliance Arrangements

Ongoing monitoring and review of the Council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The Section 151 Officer
- The Monitoring Officer
- The Chief Internal Auditor
- Finance officers and other relevant service managers.

A report is presented to Members on an annual basis detailing compliance with the Council's Financial Regulations. In addition, compliance arrangements are subject to ongoing scrutiny by the District Auditor and other external agencies. The Officer Governance Group also monitors, reviews and manages the development of the Council's corporate governance arrangements. The group comprises the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor.

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Risk Management

The Council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Risk Management Service to ensure that:

- the Council's assets are adequately protected
- losses resulting from hazards and claims against the Council are mitigated through the effective use of risk control measures
- service managers are adequately supported in the discharge of their responsibilities in respect of risk management.

The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk register is used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the Council have also received training, guidance and support in risk management principles.

Internal Audit and Fraud

The Council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003 (as amended). The Internal Audit & Fraud Team undertakes an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. Through its work the team also provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides:

- advice and assistance to managers in the design, implementation and operation of controls
- support to managers in the prevention and detection of fraud, corruption and other irregularities.

Performance Management

The Council recognises the importance of effective performance management arrangements and has been working to secure improvements. The service planning process now incorporates full consideration of actual and planned performance. Each directorate reports performance to Members on a regular basis.

Consultation and Communication Methods

The Council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the Council's stakeholders is undertaken and relevant and effective channels of communication are developed. Examples of communication and consultation include:

- Communication of the Council's Community and Corporate Strategies
- Publishing an annual Statement of Accounts and Council Plan to inform stakeholders and services users of the previous year's achievements and outcomes;
- the annual report on the performance of the scrutiny function
- opportunities for the public to engage effectively with the Authority including attending meetings;
- the Talkabout Citizen's Panel; and
- the annual resident's survey (ResOp)

To support the existing arrangements, the Council will seek to develop a consultation policy which will outline how staff and their representatives are consulted and involved in decision-making.

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Partnership working arrangements

The overall governance framework established by the Council contributes to effective partnership and joint working arrangements. In addition, the Council is seeking to define protocols for partnership working that ensure that the responsibilities are clearly defined to ensure that the relationship works effectively, for the benefit of service users. For each partnership the legal status of the entity is defined and also the extent that decisions taken by the partnership will be binding for each organisation. Regular review of existing partnerships database is undertaken to monitor the extent of joint working and its effectiveness.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the Council's systems of internal control has been undertaken. This review has been co-ordinated by the Officer Governance Group, which comprises the Director of Resources (the Section 151 Officer) and the Head of Legal, Civic and Democratic Services (the Monitoring Officer) and the Head of Audit and Risk Management (the Chief Internal Auditor). The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual Directorates and across the Council
- any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Chief Executive, Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor, which was presented to the Council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the District Auditor and other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the views of those Members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the Council's risk register and any other issues highlighted through the Council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- those control issues identified in the 2006/07 Statement of Control.

Following the review of the adequacy and effectiveness of key controls within the Council an action plan has been prepared which details the areas where improvements in governance arrangements and the control environment are considered to be necessary. The action plan will be co-ordinated and monitored on an ongoing basis by the Officer Governance Group.

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5. Significant Internal Control Issues

The corporate governance arrangements in place within the Council have identified a number of significant control issues. Specific actions have been taken or are proposed, to address the control issues identified. These are detailed in the following table, with an * indicating that details have previously been reported to Members.

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Sickness			
The 2006/07 SIC identified continuing weaknesses in the Council's procedures for monitoring and reporting sickness absence. In October 2007 a new corporate Attendance Management Policy was introduced with an emphasis on enabling attendance at work. Good progress has been made to address the underlying control weaknesses, resulting in a reduction in sickness from 12.9 days per FTE for 2006/07 to 9.54 days for 2007/08, which is above average performance in comparison with similar Councils. However there is still insufficient evidence that the improved arrangements have been fully embedded. In addition arrangements for preparing management information and ensuring its quality require improvement.	Work commenced in spring 2007 to develop procedures to address high sickness absence levels. Phase 1 of the project addressed policies and procedures and guidance for managers. New procedures were launched in October 2007, coupled with an extensive training package. Absence management phase 2 began in May 2008 involving new contracts with the Occupational Health provider and a focus on wellbeing initiatives for staff. Absence management now forms part of the Single Improvement Plan (SIP), and will be monitored on an ongoing basis as part of overall performance management arrangements.	Ongoing	2006/07 SIC* Performance and Financial Monitoring Reports * Annual report of the Chief Internal Auditor *

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Control Issue	Action Taken or Proposed	Due Date	Source(s)
Scrutiny Arrangements			
<p>The Council's decision making process operates in accordance with the Constitutional requirements and has been adapted effectively to reflect the current balanced political administration. Effective pre-decision scrutiny is enabled by the EMAP process, however there is currently inadequate post-decision scrutiny in operation.</p>	<p>Current arrangements for pre- and post decision scrutiny will be reviewed in the context of best practice employed in other councils, by September 2008. Recommendations will be made to the Council in October 2008 and, subject to agreement, new arrangements will be put in place by April 2009.</p>	<p>April 2009</p>	<p>Corporate Self Assessment CPA Corporate Assessment 2007</p>
Health and Safety			
<p>The Council has a Health and Safety Team within the Human Resources Department which provides professional health and safety advice to all service areas. During 2007/08, the capacity of the team has been increased to enable professional advice to be provided. A strategic review of the health and safety arrangements has been undertaken. The results of which will inform the Council's approach to health and safety and develop the corporate framework. Although some progress has been made there is still insufficient evidence that the required processes are fully embedded across the Council.</p>	<p>A review of health and safety management within the Council has already been completed and has resulted in the launch of a new safety management system on 1 June 2008 and the creation of a joint health and safety committee, with the trade unions.</p> <p>The focus of future work will be to embed a culture of health and safety by supporting managers through the use of health & safety advisors and providing clear leadership within directorates. Health and safety forms part of the Single Improvement Plan (SIP), and will be monitored on an ongoing basis as part of overall performance management arrangements.</p>	<p>Ongoing</p>	<p>2006/07 SIC * H&S Prohibition Notices</p>

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Control Issue	Action Taken or Proposed	Due Date	Source(s)
Community Engagement			
<p>The Council regularly consults with the local community, for example through the annual ResOp survey and the Talkabout resident's panel. It also carries out specific exercises such as those carried out to support the development of the Community Strategy. However, the Council does not currently have a communication strategy or a consultation strategy and therefore engagement with all stakeholders and community groups cannot be assured.</p>	<p>A Council-wide communications and engagement strategy will be developed, drawing on best practice models used in other councils.</p> <p>Recommendations will be made to the Executive by September 2008, and the new strategy implemented by January 2009.</p> <p>An audit of compliance will be completed within the following 12 months.</p>	<p>January 2009</p>	<p>CPA Corporate Assessment</p> <p>Deciding and Delivering Council Priorities Report (External Audit) *</p>
Closedown Process			
<p>In preparing both the 2005/06 and 2006/07 Statement of Accounts, the Council experienced problems during the Closedown process. As identified in the 2006/07 SIC, this resulted in a material misstatement being included in the 2005/06 Accounts which should have been identified by internal controls. For the 2006/07 Accounts, several significant misstatements were identified by the External Auditor. Weaknesses with the closedown process have contributed to these errors. Despite plans to incorporate review time into the process for the 2007/08 closure of accounts, there is insufficient evidence that adequate improvements to the process have been put in place.</p>	<p>All the issues arising from the 2006/07 closedown process have been reviewed, and the following measures put in place to avoid a similar recurrence in future years:</p> <ul style="list-style-type: none"> • The working papers on bank reconciliation and asset register have been reviewed. • Meetings have been scheduled to review the directorate and corporate closedown working papers. <p>Monthly meetings have also been held with the external auditors to highlight ongoing issues. In addition, the Head of Finance is planning to review the working papers which support the 2007/08 Statement of Accounts.</p> <p>The key issues for the 2007/08 Accounts are the need to ensure that prior period adjustments and the restatement of last year's accounts are completed within the available timescales.</p>	<p>June 2008</p>	<p>2006/07 SIC* Annual Governance Report 2007 (External Audit) * 2007 Annual Audit and Inspection Letter (External Audit) * Annual report of the Chief Internal Auditor * Audit of Financial Statements (External Audit)*</p>

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Equalities			
<p>Equalities and inclusion is an organisational priority which is reflected in both the Corporate and equalities Strategies. A large work programme has been planned to achieve these aims including the completion of equality Impact assessments and the improvement of staff awareness of equalities issues. However, there is insufficient evidence that the Council's policies and procedures are fully embedded within each directorate for informing service planning and a further period of time is required to allow the results of the work plan to take effect. Equalities monitoring arrangements also need to be strengthened. to ensure compliance with equalities legislation.</p>	<p>A data collection and analysis post to support equalities work has been approved by the Executive and will be recruited to by Autumn 2008.</p>	Autumn 2008	Corporate and Directorate Assurance Statements
	<p>An equalities development and improvement plan has been drawn up and is being overseen by the Equalities Leadership Group.</p>	Ongoing	
	<p>Council Management Team (CMT) will be asked to endorse an equalities management system for York (similar to the approach adopted for health and Safety). This would set ambitions and standards and make stronger links to departmental service planning.</p>	October 2008	
Business Continuity			
<p>Business continuity plans and procedures are required to enable the Council to respond effectively to any major events which may impact on the city and/or the ability of the Council to maintain its services. The 2006/07 SIC identified continuing weaknesses in the Council's business continuity arrangements. Although the Council has approved a Business Continuity Policy and Strategy and each directorate has appointed a business continuity champion, the quality of individual directorate plans is still not at the required standard. Support for the planning process is essential to enable the Group and Directorate level plans to be completed, which in turn will inform the Council's Corporate Business Continuity Plan.</p>	<p>A draft version of the Council's Corporate Business Continuity Plan (BCP) has been produced and will be taken to CMT in June 2008 for approval.</p>	June 2008	2006/07 SIC * Corporate and Directorate Assurance Statements
	<p>Progress is being made in the development of directorate BCPs and it is anticipated that all departments will have completed plans by autumn 2008.</p> <p>An "Advice and Assistance to Local Business and the Voluntary Sector" document has been circulated to businesses in York including presentations to business interest groups and the Council is sharing a stand at the Great Yorkshire Show.</p>	Autumn 2008	

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Control Issue	Action Taken or Proposed	Due Date	Source(s)
Project Management, Programme Management and Benefit Realisation			
As identified in the 2006/07 SIC, some progress has been made to develop in-house management skills and capacity. However, there was still a need to ensure consistency across the Council. As a result major projects do not always realise the anticipated benefits to the Council. The resources to support key projects also remain limited. Improving project and programme management arrangements, remains a key action within the Organisational Efficiency Programme, with the aim of developing a scaleable programme/project model for Council-wide application following successful project examples. As the development of this model has been delayed due to resource constraints, only limited progress has been made to address these issues during 2007/08.	A joint workshop with staff from the Resources and Chief Executives Directorates has been held, to map out the various programmes and projects ongoing across the Council. Significant training has commissioned for senior staff. A consistent approach to project and programme management across the Council will be developed. Detailed actions will be set out in the Single Improvement Plan, and progress will be monitored on an ongoing basis as part of overall performance management arrangements.		2006/07 SIC * Corporate risk register * Review of Project Management and Programme Management Arrangements – report (External Audit)

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Executive, and are assured plans to address known weaknesses and promote continuous improvement are in place.

Signed
W. J. McCarthy
Chief Executive

Dated

Signed
Cllr A. Waller
Leader of the Council

Dated