

ANNUAL GOVERNANCE STATEMENT 2009/10

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 putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. The Purpose of the Governance Framework

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) identifies three underlying principles of good governance, namely:

- Openness and Inclusivity
- Integrity
- 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 it is complying with these principles. To achieve this, the framework document recommends that all local authorities should develop a local code of corporate governance, comprising the following elements:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk Management and Internal Control
- Standards of Conduct

The Council has formally adopted a local code of corporate governance, consequently the principles and standards contained in the framework document are recognised as good working practice, and hence are supported and followed. To this end both Officers and Members have had externally provided training to ensure governance arrangements are understood and embedded. This Statement forms part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can

therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous 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. This has been in place within the Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

3. **The Governance Framework**

The requirement to have a governance framework, incorporating a 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 internal control within the Council consist of

Policies and Guidance:

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

- The Council's Constitution, including Financial Regulations, Procurement Regulations and Contract Standing Orders
- Codes of Conduct for Members and Officers
- The Corporate Plan
- Financial Strategy
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and Counter Fraud and Corruption
- Risk Management Strategy
- Council Procurement Strategy

Political and Managerial Structures and Processes

The Council is responsible for agreeing overall policies and setting the budget. The Policy and Resources Committee and Community Services Committee (Commissioning Board in 2010/2011) are responsible for decision making within the policy and budget framework set by the Council. The Council's Corporate Management Team has responsibility for implementing Council's policies and decisions, providing advice to Members and for co-ordinating the use of resources. The Corporate Management Team meet regularly and the Committees not less than 5 times per annum. Both the Committees and the Corporate Management Team monitor and review Council activity to ensure corporate compliance with governance, legal and financial requirements. In addition, the Council has scrutiny arrangements, through the Overview and Scrutiny Committee that include the review of policies, budgets and

service delivery to ensure that they remain appropriate. This Committee is also formally designated as the Council's Audit Committee. A forward plan detailing the main work of Committees over the next year has been devised to ensure decisions are taken in a timely manner. Urgent items will be debated as appropriate.

The Council has developed a process that is intended to reflect political and community objectives as expressed in the Community Strategy ("Imagine Ryedale") and acts as a basis for corporate prioritisation. The process has identified the Council's corporate aims together with a number of associated objectives. These will be reviewed at appropriate intervals to ensure that they continue to meet the needs of the community. The Council has linked the performance management process across all service areas to provide an integrated performance management system. Each service has developed a performance improvement plan as part of their Service Delivery Plan showing how that service will work to achieve the Council's objectives.

Financial Management

The Corporate Director (S151 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 within a system of financial regulations, comprehensive budgetary control, regular management information, administrative procedures (including the segregation of duties) and management supervision.

The Corporate Director (S151 Officer) is a member of the Council's Corporate Management Team, and is directly responsible to the Chief Executive. As such the Council is compliant with the requirements of the 2010 CIPFA/SOLACE Application Note to Delivering Good Governance, which has set out additional matters relating to 'proper practice' in the compilation of the AGS.

Compliance Arrangements

Monitoring and review of the Council's activities is undertaken by a number of Officers and external regulators to ensure compliance with relevant policies, procedures, laws and regulations. They include:

- The Chief Executive Officer
- The Corporate Director (s151) who is the S151 Officer of the Council
- The Monitoring Officer
- The District Auditor and various other external inspection agencies
- The Internal Audit Manager (North Yorkshire Audit Partnership)
- Finance Officers and other relevant service managers

Value For Money

Through reviews by external auditors, external agencies, internal audit, the Performance team, and the Financial Services Manager the Council constantly seeks ways of ensuring the economic, effective and efficient use of resources, and securing continuous improvement in the way in which its functions are exercised.

Risk Management

The Council has adopted a formal system of Risk Management. This is effectively delivered through widespread use of Covalent, the Council's Performance and Risk Management software. The process serves to ensure that:

- The Council identifies, prioritises and takes appropriate mitigation for those risks it identifies as potentially preventing achievement of the Corporate and Community Plan
- 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
- Managers are adequately supported in the discharge of their responsibilities in respect of Risk Management

The system of Risk Management requires the inclusion of risk evaluation assessments in all Committee reports and the maintenance of a corporate risk register. Relevant staff within the Council have received training and guidance in Risk Management principles.

Internal Audit & Fraud

The Council operates internal audit and internal (non Housing Benefit) fraud investigation functions through the North Yorkshire Audit Partnership (NYAP) in accordance with the Accounts and Audit Regulations 2003. The Partnership works to the CIPFA Code of Practice for Internal Audit in Local Government. It undertakes an annual programme of review covering financial and operational systems designed to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. It also is complementary to and gives support to the external auditors (Deloitte for 2009/10). In addition the Partnership provides assurance to the Corporate Director (s151) as the Council's section 151 Officer in discharging his statutory review and reporting responsibilities. The Council also, as part of the Accounts and Audit Regulations (Reg 6), undertakes an annual review of the effectiveness of its system of internal audit, which is reported to the Overview & Scrutiny Committee.

The Partnership also has an advisory role that 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

NYAP have been advised on the implications of the results of the review of the effectiveness of the system of internal control by the Overview & Scrutiny Committee,

and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Housing Benefit Counter Fraud work is undertaken within the Benefits Office through contractual arrangements with Veritau which is the North Yorkshire County Council/City of York Council company providing audit & investigation services. A proactive approach is taken to supplement referrals, both internal and external, with any leads arising from participation in the National Fraud Initiative, the Housing Benefits Matching Service, and internal data matching.

Performance Management

The Council has improved its performance management arrangements. The Chief Executive has overall responsibility for the function and the Corporate Management Team retains its monitoring role. Managers are expected to deliver improvements or maintain performance standards where appropriate. The Covalent performance management system has become further embedded within the Council during the year.

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, by the Corporate Management Team. This review has included consideration of:

- Reports received from the Audit Commission and other inspection agencies
- The results of internal audit and fraud investigation work
- The views of senior managers, including Chief Executive the S151 Officer and the Monitoring Officer
- Outcomes of service improvement reviews and performance management processes

In addition, the Council through its Committees especially the Overview and Scrutiny Committee considers corporate governance issues as they arise throughout the year and agree recommendations for improvement as necessary.

A comprehensive review has been undertaken to support the preparation of this AGS document as required by the Accounts and Audit Regulations 2003. The Council has produced a detailed statement along with a targeted action plan to ensure that full compliance is achieved. This has followed the best practice framework suggested by CIPFA and adopted by the Council. An action plan schedule has been produced to ensure compliance and a list of those Officers having responsibility is available.

An Action Plan is appended which identifies and notes progress with previous year's matters of concern, and includes those arising from this year's review. The Annual Governance Statement for 2010/11 will provide details of the work completed against this Plan. This plan will be reviewed during 2010/2011 by the Overview and Scrutiny Committee.

5. **SIGNIFICANT INTERNAL CONTROL ISSUES**

A review of the internal control arrangements in place within the Council has identified areas where improvements could be made. Specific actions are proposed to address the issues identified. Attached is the action plan for 2009/2010 incorporating those issues brought forward from the previous plan, which are still outstanding.

The Council will continue to seek to improve performance and take action on agreed recommendations by both internal and external agencies.

Signed: Dated:
Janet Waggott
Chief Executive

Signed: Dated:
Cllr Keith Knaggs
Leader of the Council.