
ANNUAL GOVERNANCE STATEMENT

Purpose of Report

1. To seek approval of the Council's Annual Governance Statement.

Information and Analysis

2. Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 requires local authorities to publish, each year, an Annual Governance Statement along with the Statement of Accounts.
3. The Annual Governance Statement must be signed by the Leader of the Council and Chief Executive and is a key corporate document involving a variety of people charged with delivering governance such as the Director of Corporate Services as the financial officer responsible for the accounting control systems and records and the preparation of the Statement of Accounts and the Monitoring Officer in meeting her statutory responsibilities.
4. The Annual Governance Statement to be published with the Statement of Accounts for 2008/09 is attached at **Appendix 1**. It follows the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) recommended format.
5. The Annual Governance Statement outlines the Council's responsibilities, explains the purpose of the governance framework, sets out the key elements, details the review of its effectiveness, highlights significant governance issues and includes a commitment by the Leader of the Council and Chief Executive to ensure the continuous improvement of the system in place.

Recommendation

6. It is recommended that the draft Annual Governance Statement at Appendix 1 be approved.

Reasons

7. The recommendation is supported as it comprises part of the Council's corporate governance arrangements.

Paul Wildsmith
Director of Corporate Services

Background Papers

1. CIPFA/SOLACE Publication(s) – 'Delivering Good Governance in Local Government - Framework and Guidance Note'.

2. Audit Services' Annual Report 2008/09 reported to Audit Committee 26 June 2009.
3. Annual Audit and Inspection Letter reported to Audit Committee 27 March 2009.
4. Report on Review of Internal Audit Effectiveness reported to Audit Committee 26 June 2009.
5. Progress reports on Xentrall Audit Plan to Audit Committee 26 September 2008, 19 December 2008, 27 March 2009 and 26 June 2009.
6. Overview Report on Managers Assurance Statements reported to Audit Committee 26 June 2009.
7. Risk Management Reports to Audit Committee 26 September 2008 and 27 March 2009.
8. Corporate Governance Update Reports to Audit Committee 19 December 2008 and 26 June 2009.
9. Anti-Fraud and Corruption Arrangements Reports to Audit Committee 19 December 2008 and 27 March 2009.
10. Use of Resources Auditor Scored Judgements reported to Audit Committee 27 March 2009.
11. External Audit Report on Data Quality Reviews – Management Arrangements and Spot Checks reported to Audit Committee 19 December 2008.
12. Corporate Information, Governance Policy - Implementation Progress Reports to Audit Committee 19 December 2008 and 26 June 2009.
13. Combined Financial and Service Performance Reports to Cabinet on 8 July 2008, 6 January 2009 and 3 March 2009.
14. Annual Review of Significant Partnerships Report to Cabinet on 6 January 2009.
15. Annual Report of the Standards Committee to Council on 26 March 2009.

Brian James : Extension 2140
EAC

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Sustainability	There is no specific sustainability impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	The report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection upon the Council's governance arrangements and achievements.
Efficiency	There is no specific efficiency impact.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

1. Darlington 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.
2. 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, and which includes arrangements for the management of risk.
3. The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website at www.darlington.gov.uk or can be obtained from:-

Democratic Services
Corporate Services Department
Town Hall
Feethams
Darlington
DL1 5QT
Tel. (01325) 388351

4. 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 by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with 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.
6. 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.

7. The governance framework has been in place at the Council for the year ended 31st March 2009 and up to the date of approval of the Statement of Accounts.

The Governance Framework

8. The key elements of the Council's governance framework are tabulated in Appendix A to this statement which also indicates their relevance to the following six core principles that underpin good governance:-
 - (a) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
 - (b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - (c) Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - (d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - (e) Developing the capacity and capability of members and officers to be effective;
 - (f) Engaging with local people and other stakeholders to ensure robust public accountability.
9. Each key element, as detailed in the Council's Local Code, has a nominated lead officer, outlines the duty to which it relates and includes three discrete types of action:-
 - (a) Awareness - making sure that everyone who needs to know about the element does know;
 - (b) Monitoring - ensuring that the duty is carried out;
 - (c) Review - actions to ensure that the element is reviewed in the light of effectiveness and emerging good practice.

Review of Effectiveness

Background

10. The 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 an Assurance Framework, documented in Appendix B, that includes the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Corporate Assurance's Annual Internal Audit Report, and also comments made by the external auditors and other review agencies and inspectorates.

11. This Statement has been prepared by a management group that has responsibility for evaluating assurances and the supporting evidence. The group comprises the:-
 - (a) Director of Corporate Services (S151 Officer);
 - (b) Borough Solicitor (Monitoring Officer);
 - (c) Policy Manager;
 - (d) Head of Human Resource Management; and
 - (e) Head of Corporate Assurance.
12. The Audit Committee is responsible for the independent review and approval of the Annual Governance Statement following examination of the supporting evidence.
13. Assurance on adequacy and effectiveness is outlined under the following categories identified in the Council's Assurance Framework.

Local Code of Corporate Governance

14. The Audit Committee received six-monthly monitoring reports in December 2008 and June 2009 to ensure that Members were satisfied that the management processes defined in the Council's Local Code were actually being adhered to throughout the organisation.
15. The reports concluded that overall, positive progress was being made on the application of Corporate Governance within the Authority.

Managers' Assurance Statements

16. Annual Managers' Assurance Statements are an integral part of the framework that supports production of the Annual Governance Statement.
17. The Statements cover key aspects of the internal control environment on which assurance is required and were completed in Spring 2009 by representatives on Departmental Senior Management Teams. The output from the exercise was reported to the Audit Committee in June 2009.
18. The overall position was positive. Required improvements identified through the Assurance Statements largely focus on the continued development of learning management software to better record acceptance and understanding by employees and members of a range of corporate policies/processes. In addition, Statements have been completed by secondary schools that were endorsed by Governing Bodies and are being rolled out to primary schools on a phased basis.

Performance Management/Data Quality

19. The Council's Performance Management Framework (PMF) is a formal process whereby performance is monitored against both national and local indicators across key strategies. This process, operated by all departments to defined quality standards, is underpinned by a series of rules and procedures codified in a Data Quality Strategy (DQS). Increased partnership working including with the National Indicator Set (NIS) is being more formally brought in to the PMF. Partners are discussing their singular and joint needs at a number of forums including through a multi-agency data group.

20. Reporting of performance involves regular reports to Departmental Management Teams, Corporate Management Team, Cabinet and Scrutiny Committees. The reports have recently been reconfigured to make them easier to understand and provide more focused information. In addition, Members and Officers are able to look at more detailed performance information by using the Councils computerised performance management system, PerformancePlus.
21. The PMF is reviewed at least annually and any improvements identified as a result of internal or external audit work are incorporated as appropriate.
22. The NIS has made the reporting of timely quarterly and year end data more complex, although data to hand, that includes for most of the indicators, suggests that overall service plan targets are being achieved. Performance against targets for the community strategy themes and corporate objectives is generally positive, although targets have not been achieved for a limited number of indicators where under performance has impacted upon the headline picture for a number of themes and objectives.
23. The Council was reassessed in 2008 by external audit on its management arrangements to secure data quality and the assessment concluded that the Council was performing well.

Financial Management

24. The Council's Medium Term Corporate Plan incorporates four-year financial plans. The Council sets its annual revenue budget, capital programme and Council Tax within this wider planning framework. The Medium Term plans, annual budgets and Council Tax are developed in consultation with partner organisations in all sectors, residents and employees, and are approved by full Council.
25. Responsibility for controlling and managing budgets is delegated to Directors and devolved to service managers. Financial management is closely integrated with service management. Cabinet and Resources Scrutiny Committee receive regular reports to enable them to monitor and scrutinise financial performance and service delivery.
26. The Council must comply with external financial reporting requirements, including publishing an annual Statement of Accounts ('the Accounts') and reporting to Central Government and other funding providers. The Accounts, which are prepared in accordance with relevant legislation and Accounting Codes of Practice, are approved by the Council's Audit Committee and are independently audited under arrangements made by the Audit Commission. The auditors gave an unqualified opinion on the Council's 2007/08 accounts by the target date of 30 September 2008 and commented that the accounts presented for audit were substantially free from error and were supported by comprehensive and clear working papers.
27. The Council's cash-flow, borrowing to finance capital expenditure and investments are managed through the Treasury Management Strategy, approved by full Council, and in accordance with legislation and codes of practice. Through its controls and procedures the Council avoided any losses of investments or interest in the Icelandic banking collapse of 2008.
28. Specific arrangements exist for schools, to which responsibility for management of finance and other resources has been devolved under various legislation. A system of accreditation

under the Financial Management Standard in Schools (FMSiS) is being rolled out to all Darlington schools in a phased three-year programme.

Risk Management

29. Risk is one of the elements of information incorporated into the development of departmental service plans and the Corporate Plan. Risk management is, therefore an essential element in establishing policy, developing plans and enhancing operational management.
30. The risk management process involves identifying, analysing, managing and monitoring risks. The identification of risks is derived from a 'top down' (corporate) and a 'bottom up' (departmental) process of risk assessment and analysis resulting in coverage of the whole Council. The process prioritises the risks resulting in a focus upon the key risks and priorities. The risks are managed through the development of appropriate action plans, allocated to responsible officers.
31. The approach to, and the outcomes from, the Council's risk management processes for 2008/09 was reported to the Audit Committee in March 2009. The report detailed positive progress upon delivery of action plans to mitigate key risks and outlined advances in the management of operational risks through the Council's Corporate Risk Management Group. Indeed, proactive risk management work within the Council was again recognised at national and European level this year.

Information Governance

32. In February 2008, Cabinet approved a Corporate Information Governance Policy in order to formally establish a strategic framework addressing the requirements that the law, ethics and policy place upon information and records management. The Policy is designed to ensure the systematic adoption of information management principles to underpin the Council's operations and service delivery.
33. Implementation of the Policy is led and monitored by the cross-departmental Corporate Information Governance Group, chaired by the Head of Corporate Assurance. This Group was mandated to approve information governance related policies and tasked to produce six monthly progress reports to the Audit Committee.
34. The progress reports to the Audit Committee in December 2008 and June 2009 concluded that progress had continued in all areas of information governance across the Council. The Corporate Information Governance Team was targeting those service areas that required urgent assistance with their information as well as delivering a strategic framework for the whole Council and developing approaches to managing information requests.

Internal Audit

35. The Council's Internal Audit Division operates to the standard defined in the CIPFA Code of Practice for Internal Audit in Local Government. The Annual Internal Audit Plan is risk-based and sets the foundation for an objective review of key controls and procedures operating within the Council.

36. The Audit Committee approves the Annual Internal Audit Plan and receives progress reports against the Plan during the year including any significant matters arising or other issues of concern and Internal Audit's Annual Report.
37. Internal Audit concluded in their Annual Report for 2008/09 that, overall, the Council continues to operate within a control environment that is generally sound.

Review of Internal Audit Effectiveness

38. A review of the effectiveness of the Council's system of internal audit was carried out by a team of senior officers that comprised a Policy Adviser, the Assistant Director – Housing and the Assistant Director – Public Protection based upon guidance issued by the Finance Advisor Network (FAN) of CIPFA. The findings of the review were considered by the Audit Committee in June 2009.
39. The review team concluded that the Council has an effective system of internal audit.

Xentrall-Shared Service Partnership

40. A shared service partnership was established in May 2008 with Stockton BC for the provision of ICT, Transactional Finance and HR and Print and Design.
41. The internal audit of the partnership was undertaken by Stockton BC and the outcome from the audit work carried out was reported quarterly to the Darlington Audit Committee. The overall position on assurance opinions was positive and identified improvements on bank reconciliation and income system processes have been implemented.

Partnership Working

42. In March 2007, Cabinet adopted a partnership working toolkit to provide a means to ensure that the Council's resources were effectively employed, the performance of each partnership was monitored and adequate governance arrangements were in place. As part of the toolkit, a clear definition of a partnership and those classed as significant was documented. The toolkit that comprises an on-line questionnaire was to be completed by the lead officer for each partnership.
43. There was to be an annual review of significant partnerships led by the Chief Executive of Darlington Partnership based upon completed questionnaires and the outcomes from this review were reported to Cabinet in January 2009.
44. The report summarised the range of partnership working undertaken by the Council and depicted an overall positive position on outcomes and governance arrangements.
45. Specific reference was made to the major redevelopment of the structures of the Darlington Partnership to enable it to be best placed to deliver the new sustainable community strategy, One Darlington : Perfectly Placed, and its new constitution was formally implemented in September 2008. Throughout the redevelopment process Darlington Partnership managed to maintain a high profile as the means by which the different sectors could meet and agree joint action against priorities. Indeed, the year saw the continued delivery of a well-received pilot Local Area Agreement that focused on Children and Young People.

Standards Committee

46. The Standards Committee continues to monitor a set of Ethical Health Indicators designed to provide an indication of any peaks in activity which indicate dissatisfaction with the Council across a range of areas of the Council's activities. The Committee has a work programme and oversees the Council's Confidential Reporting Policy, the Protocol for Member Officer relations, Member Training and other key documents. The Committee has undertaken a range of publicity and produced new web pages during the last year to promote its new role in local assessment. The Committee has links with other Committees across the Tees Valley providing joint training for members and parish councils. The Committee submitted its first annual return to the Standards Board for England and its Annual Report to the Leader of the Council with recommendations about areas for improvement and the future work programme. The Committee is currently exploring a public trust survey to be conducted across the Tees Valley to monitor its effectiveness. It is also establishing regular liaison meetings with group leaders and the Chief Executive.
47. The Committee has implemented the new Local Assessment Framework and received fifteen complaints during its first municipal year. The majority of these related to a parish council. There continues to be no complaints upheld against a member of Darlington Borough Council since introduction of the ethical framework. The Committee has a key role in monitoring all member training and ensuring a training programme designed to meet the needs identified by members PDRs. The Committee has recently been given new responsibility for designating courses across the Council as mandatory for members. The Committee monitors attendance at training and reports non compliance publicly.
48. The Committee has an ongoing work programme and an ambitious programme of work for the coming year.

Resources Scrutiny Committee

49. Scrutiny forms an important part of the Council's governance arrangements by providing independent examination of executive roles. Resources Scrutiny Committee has responsibilities for examining the Council's arrangements for financial planning, management and reporting and for efficiency and value-for-money. The Committee develops and implements an annual work programme to manage its continuing oversight role and undertake specific pieces of work.
50. During 2008-09, amongst other things, the Committee scrutinised and contributed to the development of the revised Capital Project Management arrangements. The Committee also undertook much more extensive and detailed examination of the development of the Medium Term Financial Plan for 2009-13. It agreed to set up a standing Review Group to undertake more frequent (monthly) examination of continuing budget management during 2009-10.

Annual Audit and Inspection Letter

51. The Annual Audit and Inspection Letter, produced jointly by the Council's external auditors PricewaterhouseCoopers LLP (PwC) and the Audit Commission, was presented to the Audit Committee in March 2009. The Letter was extremely positive and highlighted that the Council retained the highest Comprehensive Performance Assessment (CPA) rating of 'four star' and under 'direction of travel', to describe improvement progress, was 'improving

strongly’.

52. In terms of Use of Resources, comprising financial reporting, management and standing as well as internal control and value for money, the Council improved its score to 4 out of 4. This equates to ‘performing strongly – well above minimum requirements’. This represented a significant achievement against a background in which the assessment, once again, became more demanding. The improvement in score was driven by enhancements in the Council’s accounts closedown procedures and by developments in partnership governance.
53. The Letter included key messages that the Council can demonstrate improvements in each of its top three priorities: improving the local economy, raising educational attainment and promoting inclusive communities; in partnership with others, delivers good outcomes for children and young people and for adults, with good and excellent capacity to improve respectively; and improvements to the local economy have been sustained in the last year against an increasingly grave economic backdrop both nationally and internationally.
54. Outlined also was action needed by the Council to build on its existing partnerships; to maintain its strong community leadership role; to prepare for significant changes in local authority accounting guidance in the next few years, in particular the international financial reporting requirements; and to prepare for fundamental revisions to the Use of Resources assessment in 2009.

Significant Internal Control Issues

55. Previous Annual Governance Statements have referred to improvement actions required to give greater levels of confidence and assurance around capital projects in response to significant overspends on two major capital schemes, the Pedestrian Heart and Darlington Eastern Transport Corridor.
56. Three key strands of activity taken to strengthen programme and project management and Scrutiny and Cabinet oversight of major capital schemes were referred to:-
 - (a) the reorganisation of the Council in the autumn of 2007;
 - (b) changes to the Contract Procedure Rules approved by Council in February 2008, subsequently enhanced in May 2009; and
 - (c) the ongoing Capital Project Review.
57. The Capital Project Review has now been completed and a new Capital Project Management approach is in the process of being implemented. Relevant members of staff have been trained on the methodology and received a copy of the Council’s Project Management Handbook. The training took the opportunity to refresh understanding on Financial Procedure Rules, Procurement Rules, Delegated Powers, Health and Safety as well as decision making and reporting requirements.
58. A Capital Programme Review Board has been established to oversee the strategic position of the Council on capital projects. A Project Position Statement is now actively used by all departments on a monthly basis with reporting produced for use in the Capital Programme Review Board and Resources Scrutiny. The Control Point documentation has been introduced on many projects and is expected to be developed for all remaining projects over

the course of the next year.

59. The methodology is expected to improve continually over time and with use and a Quarterly Review Group has been set up to ensure that all departments have the chance to raise opportunities, issues or questions relating to the procedures.

Statement by the Leader of the Council and Chief Executive

60. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and are committed to ensure the continuous improvement of the system in place.

Signed _____
Leader of the Council

Dated _____

Signed _____
Chief Executive

Dated _____

<i>Document/Function</i>	Core Principles of Corporate Governance					
	Focusing on the purpose of the authority and on outcomes 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 values for the authority and demonstrating the values of good governance through 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	Engaging with local people and other stakeholders to ensure robust public accountability
Sustainable Community Strategy	✓					✓
Local Area Agreement	✓					✓
Constitution		✓		✓		✓
Service Planning Framework	✓	✓			✓	✓
Business Transformation Projects	✓	✓		✓	✓	
Community Engagement Strategy	✓				✓	✓
Communication Strategy	✓	✓	✓	✓		✓
ICT Strategy	✓		✓		✓	✓
Human Resources Strategy	✓	✓	✓		✓	
Performance Management Framework	✓	✓	✓		✓	
Schedule of Council Meetings				✓		✓
Council Procedure Rules			✓			
Record of Decisions		✓		✓		✓
Partnership Working Toolkit	✓	✓	✓	✓	✓	✓

Code of Conduct for Members				✓	✓	
Members Induction and Training Programme				✓	✓	
Code of Conduct for Employees				✓	✓	
Officer and Member Protocols		✓	✓			
Confidential Reporting Policy				✓	✓	
Code of Corporate Governance	✓	✓	✓	✓	✓	✓
Risk Management Strategy				✓		
Anti-fraud and Corruption Policy				✓		
Capital Programme Methodology		✓		✓		
Information Governance Policy	✓		✓	✓	✓	✓
Procurement Strategy	✓	✓	✓	✓		✓
Contract Procedure Rules	✓	✓	✓	✓		✓
Medium Term Financial Plan/Budgets	✓	✓		✓		✓
Treasury Management Framework		✓		✓		✓
Annual Statement of Accounts	✓					✓
Financial Procedure Rules	✓	✓	✓	✓		
Scheme of Delegation		✓		✓	✓	
Complaints Process	✓		✓	✓		✓
Social Inclusion Strategy	✓		✓			✓
Equalities Plan	✓		✓			✓

Assurance Framework

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
Internal Control environment inadequate/ineffective.	Internal Audit	Internal Audit Strategy. Internal Audit's Role and Terms of Reference. Risk based Annual Internal Audit Plan. Internal Audit Reports/opinions and outcomes from consultancy work undertaken.	Internal Audit Strategy. Internal Audit's Role and Terms of Reference. Risk based Annual Internal Audit Plan. Internal Audit reports/opinions and outcomes from consultancy work undertaken.	Internal Audit's Strategy, Role and Terms of reference and Annual Audit Plan approved by the Audit Committee. Quarterly/Annual Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan. Annual Report includes an overall opinion on the Council's control environment.
The financial position of the Council not presented fairly in the Financial Statements; the Annual Governance Statement not presented in accordance with relevant requirements; and proper arrangements are not in place to secure economy, efficiency and effectiveness in the use of resources.	External Audit	Risk based External Audit Plan. External Audit Reports/opinions.	Internal Audit's Annual Audit Plan discussed with External Audit to facilitate External audit planning and minimise the duplication of audit effort wherever possible.	External Audit Plan and External Audit Reports, including the Annual Audit and Inspection Letter, considered by the Audit Committee. Annual Audit and Inspection Letter considered by Cabinet.
Overall performance of the Council	Audit Commission	Audit and Inspection Plan. Audit Commission Reports/opinions.	Audit Commission Reports reflected upon in the Internal Audit	Audit and Inspection Plan considered by the Audit

considered inadequate/ineffective.			planning process.	Committee. Audit Commission Reports, including the Annual Audit and Inspection Letter, considered by Cabinet.
Service delivery arrangements considered inadequate/ineffective.	Other External Inspection Agencies eg Care Quality Commission (CQC) and the Office for Standards in Education, Children's Services and Skills (Ofsted).	External Inspection Agency Reports.	External Inspection Agency Reports reflected upon in the Internal Audit planning process.	External Inspection Agency Reports considered by Cabinet.
Business risk processes inadequate/ineffective	Risk Management and Insurance Section	Risk Management Strategy Corporate/Departmental Risk Registers. Corporate Risk Management Group and Sub-Group Agendas and Minutes. Officer/Member Training.	Annual Audit Plan developed with reference to Corporate/Departmental Risk Registers. Risk Management function subject to periodic Internal Audit review as part of the cyclical audit process.	Risk Management Strategy endorsed by the Audit Committee and approved by Cabinet. Six-monthly/Annual Reports to the Audit Committee on the outcomes from the Council's risk management processes.
Fraud and corruption arrangements inadequate/ineffective.	Internal Audit and Benefits Enquiry Unit.	Anti-Fraud and Corruption Strategy, Policy, Fraud Response Plan and Money Laundering Policy. Housing Benefit/Council Tax Anti-Fraud Strategy, Policy and Sanctions Policy. Confidential Reporting Policy. Internal Audit reviews of arrangements. Outcomes from bi-annual National Fraud Initiative exercises co-ordinated by the Audit Commission. Internal Audit/Benefits Enquiry Unit case files.	Anti-Fraud and Corruption arrangements, including National Fraud Initiative exercises, administered by Internal Audit. The potential for a service to be susceptible to fraud reflected within Internal Audit's risk assessment model that underpins the annual audit planning process. Internal Audit review of Housing Benefits conducted on an annual basis.	Fraud related Policies and Strategies approved by the Audit Committee and Confidential Reporting policy approved by Council. Annual Reports to the Audit Committee on the outcomes from the Council's anti-fraud and corruption arrangements.
Information governance arrangements inadequate/ineffective.	Information Governance Section and External Audit.	Corporate Information Governance Policy and supporting policy/guidance framework. Corporate Information Governance Group Agendas and Minutes.	Information Governance/Sensitivity of data is reflected within Internal Audit's risk assessment that underpins the annual audit planning process.	Corporate Information Governance Policy approved by Cabinet. Six-monthly reports to the Audit Committee on progress

		Officer/Member Training. External Audit Report on Data Quality.	Information Governance subject to periodic Internal Audit review as part of the cyclical audit process.	with implementation of the Policy. External Audit Report on Data Quality considered by the Audit Committee.
Internal control environment of relevant areas of Xentrall inadequate/ineffective.	Stockton BC Internal Audit	Risk based Annual Internal Audit Plan. Internal Audit reports/opinions and outcomes from consultancy work undertaken.	Joint working protocol agreed between the Internal Audit Services of Stockton and Darlington to cover Xentrall audits. Copies of all relevant Stockton BC Internal Audit Reports on Xentrall forwarded to Darlington Internal Audit for information.	Stockton BC's Annual Audit Plan related to Xentrall considered by the Audit Committee. Quarterly Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan.
Local Code of Corporate Governance not implemented.	Corporate Group responsible for drafting the Annual Governance Statement.	Local Code of Corporate Governance Local Code individual key documents/functions matrices, completed by relevant Lead Officers, posted on the intranet covering awareness, monitoring and review. Six Monthly update reports to the Audit Committee in respect of the application of Corporate Governance within the Authority.	Internal Audit direct effort annually to validate evidence quoted in the individual key documents/functions matrices posted on the intranet.	Local Code endorsed by the Audit Committee and approved by Council. Six-monthly reports to the Audit Committee on progress with implementation of the Code.
Grant processes inadequate.	External Audit	External Audit Report on audited Grant Claims and Returns.	Grant process arrangements subject to annual review by Internal audit.	External Audit Report on Grant Claims and Returns considered by the Audit Committee.
Health and Safety practices and processes inadequate/ineffective	Health and Safety Unit	Corporate Health and Safety Policy Risk Assessments Reportable Accident Statistics Outcomes from audits undertaken by the Health and Safety Unit. Officer/Member Training.	Health and Safety function subject to periodic Internal Audit review as part of the cyclical audit process.	Corporate Health and Safety Policy approved by Cabinet Six-monthly report to Resources Scrutiny on the Council's performance on health and safety.
Property management	Corporate Premises Risk	Corporate Premises Database System	Corporate Premises Database	Property management

arrangements inadequate	Group	and supporting documentation.	System subject to periodic Internal audit review as part of the cyclical audit process.	arrangements included in Council Risk Registers and, as such, included within member reporting arrangements for business risk processes.
Management control in respect of operational aspects of the business inadequate.	Managers/Schools Assurance Statements.	Annual signed Statements from Assistant Directors and schools.	Arrangements administered and outputs scrutinised by Internal Audit.	Annual report to the Audit Committee on the outcomes from the Assurance Statement process.
Partnership governance arrangements inadequate.	Partnership Lead Officers	Annual Partnership Toolkit Questionnaires completed by relevant Council Partnership Lead Officers and supporting documentation.	Partnership Governance Arrangements subject to periodic Internal Audit review as part of the cyclical audit process.	Partnership Toolkit approved by Cabinet. Annual report to Cabinet on the operations of significant partnerships.
Treasury management arrangements inadequate.	Accounting Services	Treasury Management Policy Statement, Strategy, Prudential Indicators and Procedures.	Treasury Management function subject to periodic Internal Audit review as part of the cyclical audit process.	Treasury Management Policy Statement, Strategy and Prudential Indicators approved by Council. Treasury Management Procedures approved by Cabinet. Six-monthly/Annual Reports to Cabinet on the performance of the Treasury Management function.
Financial management arrangements inadequate/ineffective.	Accounting Services	Medium Term Financial Plan. Corporate Budget Setting/Monitoring processes and supporting documentation. Officer/Member Training.	Financial management arrangements subject to periodic Internal Audit review as part of the cyclical audit process.	Medium Term Financial Plan approved by Council. Quarterly Reports to Cabinet/Resources Scrutiny on Finance/Performance.
Ethical health arrangements inadequate.	Legal Services	Member Code of Conduct. Officer Code of Conduct. Ombudsmen complaints and outcomes. Member/Officer Training.	Legal Services Reports reflected upon in the audit planning process.	Members and Officers Codes of Conduct endorsed by Standards Committee and approved by Council. Standards Committee meet regularly to consider a range

				of relevant reports. Regular report to cabinet on Ombudsmen complaints and outcomes.
Ineffective system of internal audit	Senior Group of Officers	Annual Review of the system of internal audit and supporting documentation conducted in accordance with the Accounts and Audit Regulations.	Internal Audit direct effort annually to support the review process.	Annual Review of the system of internal audit considered by the Audit Committee.