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**ANNUAL GOVERNANCE STATEMENT**

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**Purpose of Report**

1. To approve the Council's draft Annual Governance Statement.

**Information and Analysis**

2. The Accounts and Audit Regulations 2015 require local authorities to prepare, approve and publish, each year, an Annual Governance Statement.
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 Neighbourhood Services and Resources as the financial officer responsible for the accounting control systems and records and the preparation of the Statement of Accounts and the Assistant Director Law and Governance as Monitoring Officer in meeting his statutory responsibilities.
4. The Annual Governance Statement for 2015/16 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 any 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 Neighbourhood Services and Resources**

## Background Papers

- (i) CIPFA/SOLACE Publication(s) – 'Delivering Good Governance in Local Government – Framework and Guidance Note'.
- (ii) CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- (iii) CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.
- (iv) Audit Services' Annual Report 2015/16 reported to Audit Committee July 2016.
- (v) Annual Audit Letter reported to Audit Committee December 2015 and Cabinet January 2016.
- (vi) Report on Annual Review of System of Internal Control including an Annual Review of Internal Audit Effectiveness reported to Audit Committee July 2016.
- (vii) Progress reports on Xentrall Audit Plan to Audit Committee December 2015, March 2016 and July 2016.
- (viii) Overview Report on Managers Assurance Statements reported to Audit Committee July 2016.
- (ix) Risk Management Reports to Audit Committee December 2015 and July 2016.
- (x) Corporate Health and Safety Report to Audit Committee September 2015.
- (xi) ICT Strategy Progress Reports to Audit Committee September 2015 and March 2016.
- (xii) Information Governance Programme Progress Report to Audit Committee March 2016.
- (xiii) Corporate Governance Update Reports to Audit Committee December 2015 and July 2016.
- (xiv) Anti-Fraud and Corruption Arrangements Reports to Audit Committee March 2016.
- (xv) Audit of Accounts Report to Audit Committee September 2016.

- (xvi) Revenue Budget Monitoring Reports to Cabinet November 2015 and February 2016.
- (xvii) Project Position Statement and Capital Programme Monitoring Reports to Cabinet November 2015 and February 2016.
- (xviii) Performance Management Framework Reports to Scrutiny Committees.
- (xix) Prudential Indicators and Treasury Management Reports to Audit Committee December 2015 and January 2016 and to Council February 2016.
- (xx) Annual Review of Significant Partnerships Report to Audit Committee July 2016.
- (xxi) Xentrall Shared Services Annual Report to Cabinet July 2016.
- (xxii) Ethical Governance and Member Standards Update Report to Audit Committee December 2015.
- (xxiii) Children's Services Ofsted Improvement Plan Reports to Cabinet December 2015 and May 2016 and to Audit Committee December 2015 and July 2016.
- (xxiv) Children's Services Improvement Review Letter from the Minister of State for Children and Families to the Leader of the Council dated 15 June 2016.
- (xxv) Ofsted Letter following monitoring visit of Darlington Borough Council's Children's Services in July 2016.

Brian James: Extension 5408

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	Apart from improvement actions in response to the Ofsted Report on Children's Services there is no specific health and well being impact.
Carbon Impact	There is no specific carbon 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	The Council's governance arrangements and achievements underpin deliver of the strategy.
Efficiency	Apart from improvement actions in response to the Ofsted Report on Children's Services 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 and facilitating the effective exercise of its functions, 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](http://www.darlington.gov.uk) or can be obtained from:

Democratic Services  
Neighbourhood Services and Resources Group  
Town Hall  
Feethams  
Darlington  
DL1 5QT  
Tel (01325) 405995

4. This Statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

### 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 services and value for money.
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 and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

7. The governance framework has been in place at the Council for the year ended 31 March 2016 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.
10. The governance framework continually evolves to embrace new areas of service and the associated controls, and also to encompass regulatory reviews/recommendations and the Council's financial management arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The governance arrangements also conform to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations.

## **Review of Effectiveness**

### **Background**

11. 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.
12. 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 Neighbourhood Services and Resources (S151 Officer)
  - (b) Assistant Director Law and Governance (Monitoring Officer)
  - (c) Assistant Director Finance and Human Resources
  - (d) Head of Corporate Assurance
13. The Audit Committee is responsible for the independent review and approval of the Annual Governance Statement following examination of the supporting evidence.
14. Assurance on adequacy and effectiveness is outlined under the following categories identified in the Council's Assurance Framework.

### **Local Code of Corporate Governance**

15. The Audit Committee received six-monthly monitoring reports in December 2015 and July 2016 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.
16. The reports concluded that overall, positive progress was being made on the application of Corporate Governance within the Council, and this is explained in this report.

### **External Regulatory Reviews**

17. A routine inspection by Ofsted on services for children in need of help and protection, children looked after and care leavers, was performed between 23 June and 16 July 2015. The inspection report subsequently published on 1 September 2015 gave Darlington an overall judgement of Inadequate.
18. The political leadership of the Council, its senior officers and managers in Children's Services accepted the detail of the report and that improvements

needed to be made.

19. An officer group chaired by the Chief Executive was established that produced and gives oversight to a detailed Improvement Plan to address the Ofsted recommendations.
20. An Improvement Board was also established to consider the Improvement Plan and oversee progress on delivery. The Board is chaired by Clive Harrison from Red Quadrant, the Council's improvement advisors appointed by the DfE, and has senior member and officer representation as well as representation from Darlington CCG, Durham Constabulary, Darlington's 11-19 Partnership, the Local Safeguarding Children Board and Local Government Association.
21. As well as governance and leadership priorities in the Improvement Plan practice improvement priorities highlighted are:
  - (a) Strengthen management capacity and oversight of practice;
  - (b) Put in place a robust data reporting system;
  - (c) Improve timeliness and quality of assessments;
  - (d) Implement monthly thematic audits of practice;
  - (e) Provide training in target areas to equip staff with the necessary practice and supervisory skills to drive up the quality of practice; and
  - (f) Develop a recruitment and retention strategy.
22. Positive progress on delivery of the Improvement Plan was reported regularly to Cabinet and Audit Committee during the year.
23. Following an improvement review by Red Quadrant in May 2016 the Minister of State for Children and Families wrote to the Leader of the Council. The Minister was pleased that the Council was making some progress in the initial phase of its improvement journey. The strengthened leadership and governance arrangements and improvements in both practice and performance management were encouraging and he expected the newly found pace of improvement to be maintained at the next review in November 2016. In particular the Minister welcomed the strong commitment throughout all levels of the Council to embed long-term sustainable change. He understood there were a number of priorities to address, including further recruitment of experienced permanent staff to increase workforce stability, embedding consistent and high quality practice, continued strengthening of management oversight and leadership of practice and the implementation of a new ICT system.
24. Ofsted have also recently put in place a new framework for monitoring improvement in Council's judged to be inadequate that involves the undertaking of quarterly monitoring visits. The first monitoring visit in Darlington took place on 10 and 11 July 2016 and focused on the four important themes of the quality of the single assessment; recognition and management of risk; the quality and timeliness of child protection enquiries; and management oversight.
25. A letter published by Ofsted following the visit summarised their findings. The letter included recognition that the Council had responded purposefully to the

recommendations arising from their 2015 inspection; a new senior leadership team is highly visible, accessible and demonstrates a comprehensive understanding of the key priorities for improvement; performance management arrangements have improved significantly supported by an extensive auditing programme; the timeliness of single assessments has improved; and management oversight and staff morale is beginning to improve. However, Ofsted also commented that the workforce was not yet stable which is impacting on continuity of casework; the quality of assessments remains poor; and the supervision of social workers is not sufficiently focused on the quality of social work practice or professional development. As previously mentioned following the Red Quadrant review, these issues are recognised and are priorities to address in the Council's improvement journey.

26. Following the DfE and Ofsted reviews, the Improvement Plan has now been re-written to acknowledge what has been achieved and to allow focus on the remaining actions. The revised plan was approved by the Children's Services Improvement Board on 24 August 2016 and defines the next stage of the improvement journey. Due to the scale of improvements made in four areas, further progress on these is now being made through normal business as usual improvement activity rather than under the auspices of the improvement plan and the Improvement Board. These areas are:
- Elected members understanding of children's services performance and ability to challenge;
  - Monitoring educational progress of looked after children to narrow the gap;
  - Improved consistency and quality of personal education plans; and
  - Completion of reports on fostering and adoption services.
27. Ofsted will be making its next monitoring visit on 12/13 October. The third and fourth visits will take place in the first half of 2017 before the re-inspection. It is the re-inspection which will formally assess progress against the 2015 inspection and provide a new judgement. It is expected that the Ofsted post-monitoring single inspection will take place towards summer 2017, as it has to be within 24 months of the inspection report. With regard to DfE and Red Quadrant there will be a second review toward the end of 2016.

### **Corporate Planning and Performance Management Framework**

28. The focus of the Council's corporate planning process is on delivery of priorities within the Sustainable Community Strategy (SCS), One Darlington Perfectly Placed, and the three conditions considered necessary to bring about delivery of the vision:
- (a) Strong Communities – enabling people to live fulfilling lives with less involvement from public services.
  - (b) Every Public Pound Well Spent – maximising the value from all public expenditure.
  - (c) Growing the Economy – generating income streams, employment and opportunities.



29. The foundation of the planning process is the SCS which was refreshed in 2013/14. Delivery of the SCS is via a series of underpinning Strategies, Delivery Plans and ultimately individual Performance Development Reviews. A Performance Management Framework (PMF) accompanies the planning regime and is based on a suite of performance indicators with targets and actions relevant to the locally determined outcomes described within the SCS.
30. A revised PMF was implemented in 2014 which aligns to the refreshed SCS and monitors delivery across four tiers of performance management information as follows:
  - (a) Tier 1 data – Strategic Indicators
  - (b) Tier 2 data – Delivery Indicators
  - (c) Tier 3 data – Corporate Health Indicators
  - (d) Tier 4 data – Change Programme Indicators

In combination these allow the performance (tiers 1 and 2), the financial and governance position (tier 3), and the development of the Council (tier 4) to be monitored to provide an overall summary of the health of the organisation.

31. Year-end performance for 2015/16 across the framework is mixed with some of the most significant improvements being around the economic indicators measuring 'A Growing Economy'. Job seekers allowance claimants are falling and we are beginning to narrow gaps between our most and least affluent wards. Average earnings are also increasing and we are starting to perform better than the North East average. More adults with a learning disability are living in their home or with family and we have maintained the performance of last year in terms of people achieving independence following hospital discharge.
32. We are continuing to deliver good performance in respect of a 'Safe and Caring Community' in terms of crime rates, the only exception being around hate crime and violent crime which is reflected in a further 42 force areas. However, it is believed that recording practice is the reason rather than an actual increase in crime.
33. There are also certain areas that require improvement; for example planning performance has declined with regard to decision making timescales and is the subject of a specific improvement plan.
34. 2014/15 saw significant improvement in the numbers of people admitted to residential care, however performance this year has declined and at year end was slightly higher than last year for older people and significantly higher for 18 to 64 year olds; a transformation programme for Adult Services is currently being developed an element of which is the redesign of the current operating model. Call wait times and the number of abandoned calls in the contact centre have increased, however the service is in the process of implementing a replacement telephony system to improve functionality and improve call handling efficiency.

35. The clear focus for 2015/16 has been to deliver positive progress against the Children's Services Improvement Plan outlined in greater detail earlier in this Statement.
36. The information to support the PMF is collected on a regular basis and analysed at the performance clinics held by the Chief Executive with the relevant Directors and Assistant Directors. It is recognised that as a result of the focus on Children's services performance following the Ofsted review the wider reporting of performance information to Members has lapsed recently and this is a matter that is to be addressed in the 2016/17 financial year.

### **Change Programme**

37. The Change Programme was re-organised in 2014/15 around the three conditions articulated within the SCS namely Building Stronger Communities, Spending every public pound wisely, and Growing the economy. At the same time the focus has been maintained on austerity and delivering significant financial savings.
38. Delivery of the Programme is monitored via the PMF (performance clinics) and scrutiny. At a project level a Prince 2 based methodology is still in use which includes the preparation and approval of project briefs, project initiation documents and project plans with exception reports produced in the event of deviation from plan. Delivery continues to be supported by Lean process reviews and improvement events.
39. The Programme is currently being refreshed to reflect the recently agreed MTFP 2016 to 2020. A number of key projects will conclude later this year, such as implementation of Liquidlogic for Children's, and new projects will be instigated to deliver the financial savings agreed for the next four years.

### **Managers' Assurance Statements**

40. Annual Managers' Assurance Statements (MAS) are an integral part of the framework that supports production of the Annual Governance Statement.
41. The Statements cover key aspects of the internal control environment on which assurance is required and were completed by all Assistant Directors and endorsed by the appropriate Director. The output from the exercise was reported to the Audit Committee in July 2016.
42. Generally the overall position was positive. The common improvement themes highlighted were the need to deliver the Information Governance Action Plans resulting from completed Information Risk Assessments, to regularly test Business Continuity Plans for identified priority services and to complete/maintain inventory records. These matters are to be progressed by Assistant Directors during the 2016/17 financial year.
43. Other matters raised concerned more specific operational issues to be addressed in certain areas related to changes in duties and responsibilities.

## Financial Management

44. The Council's Medium Term Financial Plan (MTFP) now incorporates a four-year financial plan. The Council sets its annual revenue budget, capital programme and council tax and treasury management strategy within this wider planning framework. The Medium Term Plan, annual budgets and council tax are developed in consultation with partner organisations in all sectors, residents and employees and are approved by full Council.
45. The Council continues to face a significant financial challenge and since 2010 has agreed reductions in planned expenditure in real terms of over £35m. The Local Government Finance Settlement for 2016/17 has further reduced comparable government funding by £28.5m (£37.3m in real terms) since 2010/11.
46. The current MTFP for 2016 to 2020 includes plans to radically restructure Council services to deliver over £10m worth of savings with the need to further utilise reserves to invest in the 'futures fund' that are services the Council does not have to provide but which add great value to Darlington.
47. The Plan is continually monitored and reviewed by Officers and Members and is revised at least annually when an updated rolling four- year plan is produced.
48. Responsibility for controlling and managing budgets is delegated to Directors and devolved to service managers. Financial management is closely integrated with service management and a quarterly update is taken to Cabinet and Efficiency and Resources Scrutiny Committee to enable them to monitor and scrutinise financial performance and service delivery.
49. 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 codes of practice, are approved by the Council's Audit Committee and are independently audited.
50. 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. The Strategy and associated policies and procedures were reviewed in 2016. The Council manages its investments to minimise risk of losses, ensure funds are available when needed and achieve interest income.
51. Governing Bodies have formal responsibility for financial management within schools. A Schools Financial Value Standard (SFVS) has been designed by the Department for Education to assist schools in managing their finances and to give assurance that they have secure financial management in place. The Governing Bodies of each local authority maintained school are required to undertake a self assessment annually against the SFVS and send a copy, signed by the Chair of Governors, to the local authority Finance Division. All returns for 2015/16 have been received and overall they reflect a positive position. Any remedial actions considered necessary are detailed together with an appropriate implementation

date. The SFVS returns are used by the local authority to inform their programme of financial assessment and audit.

## **Counter Fraud**

52. The Council's Anti-Fraud and Corruption Strategy reflects a zero tolerance approach and is based on a series of comprehensive and inter-related policies and procedures designed to deter, frustrate, or take effective action against any attempted fraudulent or corrupt acts.
53. The counter fraud arrangements are subject to annual review and the outcome of the latest evaluation was reported to the Audit Committee in March 2016. The review included a self-assessment against the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption'; a summary of reported suspected frauds and whistle blowing cases; and an update on the National Fraud Initiative.
54. The review concluded that the Council's arrangements remain appropriate and fit for purpose when compared to national good practice guidance and that overall the number of reported frauds and whistle blowing cases remains low. However, the Council is not complacent and the position will be kept under review.

## **Risk Management**

55. Risk is one of the elements of information incorporated into the Council's service planning process. Risk management is, therefore an essential element in establishing policy, developing plans and enhancing operational management.
56. 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' (group) 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.
57. The approach to, and the outcomes from, the Council's risk management processes for 2015/16 were reported to the Audit Committee in July 2016. The report detailed generally positive progress upon delivery of action plans to mitigate key risks including those relating to the domiciliary care residential care provider market following implementation of the Care Act/Living Wage, as well as delivery of the Children's Services Improvement Plan and the information governance agenda, areas that are mentioned in more detail elsewhere in this Statement.
58. The report also outlined advances in the management of operational risks. The organisation now has over 70 health and safety champions who receive appropriate training and meet regularly with senior management. The champions play a key role in raising awareness, monitoring work practices and communicating health and safety messages. In addition, the Health and Safety Team have continued to develop and revise corporate arrangements in line with statutory requirements and current best practice, ensuring managers have clear information and guidance when implementing control measures to eliminate and

reduce risk. For example workshops have been carried out following the introduction of the new Construction Design and Management Regulations 2015 to brief internal duty holders on their roles and responsibilities.

## **ICT**

59. The Council's ICT Strategy focuses on five strategic priorities, namely ICT Service Development; ICT Governance; ICT Strategic Architecture; Business Development; and an ICT Competent Workforce and Members.
60. Implementation of the Strategy is led by the Chief Officers Board, chaired by the Director of Neighbourhood Services and Resources, acting as the Systems and Information Governance Group (SIGG). SIGG is tasked to produce six-monthly reports on implementation progress to the Audit Committee.
61. The progress report to the Audit Committee in March 2016 documented positive progress on each of the five key programmes. This included reference to successfully retaining PSN certification, that allowed the Council to connect to the Government's national secure Public Service Network; implemented architecture projects comprised a new more flexible and secure means of connecting mobile laptops and tablets to the Council's IT systems, a new web filtering system and new e mail encryption tool; and a pilot End User Computing service to assist ICT users with the overall aim to help deliver a 'smarter office' across the Council.
62. As regards Business Development, a Systems and Information Strategy has been produced. This is to complement the ICT Strategy by ensuring that investment in service based ICT systems is correctly targeted, whereas the ICT Strategy is concerned with corporate systems and underpinning ICT architecture. Development and delivery of the Systems and Information Strategy is by SIGG who approve the work programme requested of the ICT Service thereby ensuring that this finite resource is correctly targeted to meet the objectives of the Council as a whole.

## **Information Governance**

63. The Council has an Information Governance Work Programme shaped by a number of external information assurance requirements that represent good practice and have common objectives, namely compliance with information related legislation, approval to use essential external party systems and services and improvement in service delivery.
64. Implementation of the Programme is led by SIGG which is tasked to produce six-monthly reports on implementation progress to the Audit Committee.
65. The update report to the Audit Committee in March 2016 noted recent work that included publication of a revised Employees Guide to Information Security, mandatory on-line awareness courses for information security and social media, information classification and handling guidelines and revised records management guidelines as well as the delivery of information governance briefing sessions to senior management teams.

66. The report noted that the Council continued to make gradual progress on the implementation of the Work Programme and the area of highest priority was the completion of information risk assessments and the timely delivery of the associated improvement action plans.

### **Capital Project Management**

67. The Council has an established dedicated Capital Projects Team that operates to a consistent capital project management methodology. Any significant projects are assigned to the Capital Projects Team for delivery.
68. In addition, the Asset Management and Capital Programme Review Board (AMCPRB) perform a strategic gate-keeping role on capital projects and considers their governance arrangements. The Board is chaired by the Director of Neighbourhood Services and Resources with membership from Chief Officers with responsibility for capital projects, Council assets and those with specific technical, financial and legal expertise to add value to challenge and monitor the programme.
69. The Capital Projects Team has responsibility for the coordination of a Project Position Statement (PPS). The PPS provides a single source of key information relating to the Council's commitments on capital projects and programmes and enables challenge to be made on projects that exhibit warning signs that they may deviate from time, cost or quality. The PPS is reported to the AMCPRB at every meeting and quarterly to Cabinet. There are some 36 live projects currently being managed by the Council with an overall project outturn value of £61.035 million. The majority of projects are running to time, cost and quality expectations with no foreseeable issues.
70. Further enhancement to project management systems are underway and an electronic system for recording information has been developed within Xentrall's ICT Work Programme and this is to be tested in 2016/17. Once testing is complete a roll-out will be scheduled with a refresh of the methodology and training on use of the electronic system.

### **Public Health**

71. The Health and Social Care Act 2012 gave local authorities responsibilities and funding to lead public health at a local level from April 2013. A 'transfer order' was the vehicle through which the assets, liabilities and powers to act on new public health responsibilities accrued to Darlington Borough Council on 31 March 2013.
72. A 'ring fenced' public health grant was paid to Local Authorities by Public Health England (PHE) for 2015/16. The grant for Darlington in 2015/16 was £7.184 million. Each 'upper tier' local authority must provide a Statement of Assurance confirming compliance with the grant conditions as set out in Local Authority Circular LAC (DH) (2013)3. Darlington Borough Council provided the required Preliminary Statement of Assurance for 2015/16 to PHE.

73. The Public Health Commissioning Board (PHCB), a sub-group of the Chief Officers Board, was established in March 2014. This Board advised on the commissioning programme of investment of the ring-fenced public health grant in prevention and those interventions which have the greatest impact on the social determinants of health. Following a review in August 2015 it was agreed that the functions and responsibilities of this Board be incorporated into the business of the Chief Officers Board. This will continue to enable managers to consider collectively, how the Council activity and services contribute to improving the public's health.
74. A mandated responsibility of the Council is to provide public health advice and support to NHS commissioners, e.g. Darlington Clinical Commissioning Group and work with local partners to protect the health of the local population. In 2015/16 Committees of the Council have been provided with assurance that public health functions have been delivered.
75. Duties of the Director of Public Health are set out in the NHS Act 2012, and Sub Section 31(5) and (6) requires 'directors of public health to publish annual reports on the health of their local population and that local authorities publish that report'. The Darlington Director of Public Health has published two reports, 'Building Blocks for Good Health in Darlington' (2013/14), 'Public Health: A Shared Agenda' (2014/15).
76. In 2015/16, the Tees Valley Public Health Shared Service (TVPHSS) hosted by Redcar and Cleveland BC, continued to provide a range of specialist Public Health advice to support the Director of Public Health to discharge the full range of local authority public health responsibilities.

### **Internal Audit**

77. The Council's Internal Audit Division operates to the UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note that came into effect on 1<sup>st</sup> April, 2013.
78. 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. 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.
79. Internal Audit concluded in their Annual Report for 2015/16, reported to the July 2016 Audit Committee, that overall the Council continues to operate within a control environment that is generally sound.

### **Annual Review of the Effectiveness of the System of Internal Control incorporating the Annual Review of Internal Audit Effectiveness**

80. An annual review of the effectiveness of the Council's system of internal control incorporating an annual review of internal audit effectiveness was carried out by a team of senior officers that comprised the Assistant Director Regulatory Services

and the Assistant Director Housing and Building Services. The findings of the review were considered by the Audit Committee in July 2016.

81. The review team concluded that the Council has an effective system of internal control and an effective internal audit.

### **Xentrall-Shared Service Partnership**

82. 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. Stockton BC is the host authority.
83. The partnership is now eight years through its original ten year agreement. The original business case identified a number of efficiencies and developments to be delivered and initial savings of £7.4m over the original ten year period. Xentrall has delivered all of these plus additional efficiencies and benefits and is now on target to deliver £13.6m savings over the same time period. At the same time the quality and performance of services have improved, with both customer and staff satisfaction increasing.
84. As a result of the ongoing success of the partnership in achieving savings and sustaining service performance, Cabinet, in April 2015, approved a variation to the original ten year agreement making it a continuing agreement with no defined end date but retaining the 12 month notice termination clause.
85. The internal audit of the partnership is undertaken by Stockton BC and the outcome from the audit work carried out is reported quarterly to the Darlington Audit Committee. The overall position on audit assurance opinions for 2015/16 was positive.

### **Partnership Working**

86. 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 and this included whether the arrangement was a major contributor towards achieving the Community Strategy objectives. The toolkit that comprises a questionnaire is completed by the Council Lead Officer for each partnership.
87. There are annual reviews of significant partnerships led by the Darlington Partnership Director based upon completed questionnaires. The outcomes from the latest review were reported to the Audit Committee in July 2016.
88. The report summarised the range of partnership working undertaken by the Council and generally, an overall positive position on outcomes and governance arrangements was depicted.



89. Partnership Lead Officers recognise and accept that ensuring governance arrangements remain relevant is an ongoing process. For example, Terms of Reference are reviewed periodically to ensure that they remain fit for purpose and risk registers are regularly updated to reflect emerging risks and changes in circumstances.
90. The toolkit has been effective in identifying high level concerns of the significant partnerships. Reduction in funding and the consequent effect on capacity are the predominant issues raised by Lead Officers that have potential implications for the effective operation of the partnerships.

### **Member Standards**

91. In 2015/16 there were twelve complaints received that alleged members had broken the Code of Conduct. This is an increase over the previous year when eight complaints were received. It is still a relatively low number given the number of members we have, including parish councils and the range and volume of matters that members are involved with.
92. There is also some local context to the rise in complaints. There were three complaints about the conduct of Borough Council members received in 2015/16 but nine complaints concerning Parish Council members.
93. The Independent Person continues to be involved at the assessment stage of complaints handling and the process of liaison between her and the Monitoring Officer in considering the initial assessment of complaints is working well. In terms of complaints handling, some of the complaints were dealt with by other action and a number by investigation.
94. The Audit Committee has responsibility for ethical values as part of its remit. This includes reviewing Ethical Health Indicators across a range of activities in order to identify any peaks in activity that could indicate areas of possible concern. Update reports about member standards issues and also ethical indicators were presented to the Audit Committee in June and December 2015 with no particular issues of concern identified. The format of the report was refreshed in December 2015 with the indicators displayed in graphic rather than solely tabulated format.
95. After the local government elections in May 2015, as well as re-elected members a number of new members were elected for the first time. Training sessions about the Code of Conduct were delivered during May and July 2015. Two sessions about the Code of Conduct were held for Parish Council Members in May 2015.
96. All Borough Council Members received a pack of information after their election, including a copy of the Code of Conduct and register of interests forms. Parish Councils have been sent copies of the register of interests forms and declaration of acceptance of office forms. All newly elected Members, both Borough and Parish, have been asked to complete register of interests forms and these have been published on the Borough Council website. Parish Councils who maintain their own website have in addition been made aware of the need to display their register of interests forms on their website as well.

97. The Monitoring Officer continues to provide advice to members on interests and the Code of Conduct. While members do self-identify concerns they are also raised ahead of meetings as appear necessary. Compliance with the advice given by the Monitoring Officer is good.

### **Efficiency and Resources Scrutiny Committee**

98. Scrutiny forms an important part of the Council's governance arrangements by providing independent examination of executive roles. Efficiency and Resources Scrutiny Committee has responsibilities for examining the Council's arrangements for financial planning, performance and service delivery, project and asset management and procurement and contracts. The Committee develops and implements an annual work programme to manage its continuing oversight role and undertake specific pieces of work.
99. During 2015/16 the Committee had significant involvement in the annual review of the MTFP and held a number of special meetings to consider the core service offer and budget impact assessment forms, both for its own areas of responsibility and also responses and detailed work from all other scrutiny committees, from which it made recommendations to Cabinet in February 2016 to inform their deliberations. Efficiency and Resources Scrutiny will continue to lead on scrutinising the budget and MTFP and assist with the implementation and development of the required savings.

### **External Audit**

100. The Council's external auditors Ernst and Young LLP (EY) are expected to give an unqualified opinion on the Council's 2015/16 accounts by the target date of 30 September 2016.
101. The external auditors are expected to issue an unqualified value for money conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.
102. EY review the Annual Governance Statement to consider whether it complies with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to them. They are expected to confirm that they found no areas of concern in this context.
103. The auditors are also required to report to management and the Audit Committee any significant deficiencies in internal control identified during their audit. EY have not raised any significant matters in this regard.

### **Statement by the Leader of the Council and Chief Executive**

104. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. We are

committed to ensure the continuous improvement of the system in place.

Signed \_\_\_\_\_  
Leader of the Council

Dated \_\_\_\_\_

Signed \_\_\_\_\_  
Chief Executive

Dated \_\_\_\_\_

**APPENDIX A**

<b>Document/Function</b>	<b>Core Principles of Corporate Governance</b>					
	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 council 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	✓					✓
Constitution		✓		✓		✓
Service Planning Framework	✓	✓			✓	✓
Business Transformation Projects	✓	✓		✓	✓	
Community Engagement Strategy	✓				✓	✓
Communication Strategy	✓	✓	✓	✓		✓
ICT Strategy	✓		✓		✓	✓
Human Resources Strategy	✓	✓	✓		✓	
Performance Management Framework	✓	✓	✓		✓	

<b>Document/Function</b>	<b>Core Principles of Corporate Governance</b>					
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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	✓	✓	✓	✓	✓	✓

<b>Document/Function</b>	<b>Core Principles of Corporate Governance</b>					
	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 council 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
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	✓					✓

<b>Document/Function</b>	<b>Core Principles of Corporate Governance</b>					
	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 council 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
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	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 Letter, considered by the Audit Committee. Annual Audit Letter considered by Cabinet.



<b>Risk</b>	<b>Assurance Provider</b>	<b>Sources of Assurance</b>	<b>Links to Internal Audit Work Plan</b>	<b>Reporting to Members</b>
in place to secure economy, efficiency and effectiveness in the use of resources.				
Inadequate provision of services to the people of Darlington.	External Inspection Agencies	External Inspection Agencies' reports.	External Inspection reports reflected upon in the Internal Audit planning process.	External Inspection reports considered by relevant Scrutiny Committee/Cabinet/Council.
Business risk processes inadequate/ineffective	Corporate Assurance	Risk Management Strategy Corporate/Group Risk Registers.	Annual Audit Plan developed with reference to Corporate/Group 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, Anti-Money Laundering Policy and Anti-Bribery Policy and Procedures. 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.	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	Fraud related Policies and Strategies approved by the Audit Committee/Council Confidential Reporting Policy approved by Council. Annual Reports to the Audit Committee on the outcomes from the Council's anti-fraud and corruption arrangements.

<b>Risk</b>	<b>Assurance Provider</b>	<b>Sources of Assurance</b>	<b>Links to Internal Audit Work Plan</b>	<b>Reporting to Members</b>
		Internal Audit/Benefits Enquiry Unit case files.	an annual basis.	
Information governance arrangements inadequate/ineffective.	Information Security Section within Xentrall, Complaints and Information Governance Team and External Audit.	Corporate Policy Statement on Information Governance. Employees/Members Guide to Information Security. Information Risk Management process that informs the information governance work programme. COB Agendas/Minutes. Officer/Member Training. Data Quality reflected upon by External Audit in their VFM assessment.	Information Governance/Sensitivity of data is reflected within Internal Audit's risk assessment that underpins the annual audit planning process. Information Governance subject to periodic Internal Audit review as part of the cyclical audit process.	Corporate Policy Statement on Information Governance approved by Cabinet. Six-monthly reports to the Audit Committee on progress with implementation of the information governance work programme. External Audit VFM assessment considered by the Audit Committee and Cabinet.
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	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

<b>Risk</b>	<b>Assurance Provider</b>	<b>Sources of Assurance</b>	<b>Links to Internal Audit Work Plan</b>	<b>Reporting to Members</b>
		covering awareness, monitoring and review.		implementation of the Code.
Grant processes inadequate.	External Audit Internal Audit	External Audit Report on audited Grant Claims. Internal Audit sign-off of relevant Grant Claims.	Grant process arrangements subject to annual review by Internal audit.	External Audit Report on Grant Claims considered by the Audit Committee. Internal Audit Grant Claims work referenced in Quarterly Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan.
Health and Safety practices and processes inadequate/ineffective	Health and Safety Unit	Corporate Health and Safety Policy. Heads of Service Health and Safety Management self assessments and action plans. 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. Council's performance on health and safety reported annually to the Audit Committee.
Property management arrangements inadequate	Corporate Landlord Function	Corporate Premises Database System and supporting documentation.	Corporate Landlord Function subject to periodic Internal audit review as part of the cyclical audit process.	Property management arrangements included in Council Risk Registers and, as such, included within member reporting

<b>Risk</b>	<b>Assurance Provider</b>	<b>Sources of Assurance</b>	<b>Links to Internal Audit Work Plan</b>	<b>Reporting to Members</b>
				arrangements for business risk processes.
Management control in respect of operational aspects of the business inadequate.	Chief Officers Board	Annual signed Assurance Statements from Assistant Directors.	Arrangements administered and outputs scrutinised by Internal Audit.	Annual report to the Audit Committee on the outcomes from the Assurance Statement process.
Capital Project management arrangements inadequate/ineffective.	Asset Management and Capital Programme Review Board	Asset Management and Capital Programme Review Board Agendas/Minutes and supporting documentation.	Project Office function subject to periodic Internal Audit review as part of the cyclical audit process.	Project Position Statement reported regularly to Cabinet.
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 the Audit Committee on the operations of significant partnerships.
Treasury management arrangements inadequate.	Financial 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 considered by the Audit Committee and approved by Council. Treasury Management Procedures approved by the Audit Committee. Regular/Annual Reports to the Audit Committee and Cabinet on the performance of the Treasury Management function.

<b>Risk</b>	<b>Assurance Provider</b>	<b>Sources of Assurance</b>	<b>Links to Internal Audit Work Plan</b>	<b>Reporting to Members</b>
Financial management arrangements inadequate/ineffective.	Financial 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 on Financial Performance.
Financial management arrangements in local authority maintained schools inadequate/ineffective.	School Governing Bodies	Schools annual self assessment returns against the Schools Financial Value Standard (SFVS).	Financial arrangements in schools subject to periodic Internal Audit review as part of the cyclic audit process.	School balances reported to Cabinet quarterly.
Ineffective management of the change agenda.	Chief Officers Executive	Chief Officer Executive Agendas/Minutes and supporting documentation.	Internal Audit support/contribute to delivery of the Change Programme as relevant.	Reports to Cabinet and Scrutiny as part of the Performance Management Framework.
Ineffective challenge to the procurement process.	Procurement Board	Procurement Board Agendas/Minutes and supporting documentation.	Procurement process subject to periodic Internal Audit review as part of the cyclical audit process.	Annual Procurement Plan approved by Cabinet.
Ethical health arrangements inadequate.	Legal Services	Member Code of Conduct. Officer Code of Conduct. Member/Officer Training.	Standards Committee reports reflected upon in the audit planning process.	Members and Officers Codes of Conduct endorsed by Standards Committee and approved by Council. Standards Committee receive reports on ethical indicators.
Lessons not learned from complaints	Complaints and Information	Corporate, Adult Social Care, Children's Social Care, Housing	Complaints and Ombudsman reports reflected upon in the	Complaints Procedures approved by Cabinet.

<b>Risk</b>	<b>Assurance Provider</b>	<b>Sources of Assurance</b>	<b>Links to Internal Audit Work Plan</b>	<b>Reporting to Members</b>
received.	Governance Team	and Public Health Complaints, Compliments and Comments Procedures. Complaints Records. Ombudsman complaints and outcomes.	audit planning process.	Annual report to Cabinet on complaints received and the resultant organisational learning. Regular reports to Cabinet on Ombudsman complaints and outcomes.
Inadequate arrangements for the delivery of the Public Health function and responsibilities.	Director of Public Health	Public Health Work Plan. Health and Wellbeing Strategy. Director of Public Health's Annual Report.	Public Health function subject to periodic Internal Audit review as part of the cyclical audit process.	Regular reports to Health and Wellbeing Board and Health and Partnerships Scrutiny Committee.
Ineffective system of internal audit	Senior Group of Officers	Annual Review of the system of internal audit and supporting documentation.	Internal Audit direct effort annually to support the review process.	Annual Review of the system of internal audit considered by the Audit Committee.