

EAST HERTS COUNCIL

STANDARDS COMMITTEE – 6 JULY 2010

REPORT BY THE LEADER OF THE COUNCIL

6. DRAFT 2009/10 ANNUAL GOVERNANCE STATEMENT

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report presents the draft 2009/10 Annual Governance Statement at **Essential Reference Paper ‘B’**. The Audit Committee meeting on 28 June 2010 considered the statement and it is submitted to this Committee as part of the wider consultation process.
- The 2008/09 Annual Governance Statement included thirteen measures to enhance East Herts Council’s internal control framework during 2009/10. Eight outstanding actions have been carried forward to the draft 2009/10 Annual Governance Statement and a further eleven actions have been added.

<u>RECOMMENDATION:</u> in relation to the draft 2009/10 Annual Governance Statement, either	
(A)	the following comments be submitted to Audit Committee:
	or
(B)	Audit Committee be advised that this Committee has no comments on the content of the document.

1.0 Background

1.1 The Annual Governance Statement is necessary to meet the requirements set out in the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

2.0 Report

2.1 Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, used economically, efficiently and effectively.

2.2 Council should undertake regular, at least annual, reviews of its governance arrangements by means of an Annual Governance Statement, to ensure continuing compliance with best practice. It is important that such reviews are reported both within the Council, to the Audit Committee and externally with the published accounts, to provide assurance that:

- governance arrangements are adequate and operating effectively in practice, or
- where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.

2.3 The process of preparing the governance statement should itself add value to the corporate governance and internal controls framework of the Council.

2.4 A governance statement should include the following information:

- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control);
- an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
- a brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;
- a brief description of the process that had been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of:
 - the Council
 - the Executive

- the Audit Committee/ overview and scrutiny function/ Standards Committee
 - Internal Audit
 - other explicit review/ assurance mechanisms, and
- an outline of the actions taken, or proposed, to deal with significant governance issues.

2.5 It is important to recognise that the governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:

- the authority's policies are implemented in practice;
- high quality services are delivered efficiently and effectively;
- the authority's values and ethical standards are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published performance information are accurate and reliable;
- human, financial, environmental and other resources are managed efficiently and effectively.

3.0 Implications/Consultations

3.1 Appropriate Consultations have taken place with senior Council Officers. Members of the Executive and Committee Chairmen have also been given the opportunity to contribute to the process. The intention is to consult with Members of the Audit Committee, the Standards Committee, the Corporate Business Scrutiny Committee, the Human Resources Committee and the Executive before bringing back a final Annual Governance Statement to Audit Committee on 15 September 2010. The External Auditor has also been consulted. Information on corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers:

Draft Annual Governance Statement 2009/10- Audit Committee 28 June 2010.

Contact Member: Councillor Anthony Jackson
Leader of the Council

Contact Officer: Anne Freimanis
Chief Executive - Ext 1403

Report Authors: Alan Madin
Director of Internal Services - Ext 1406

Simon Drinkwater
Director of Neighbourhood Services - Ext 1405

Chris Gibson
Internal Audit and Business Improvement Manager -
Ext 2073

ESSENTIAL REFERENCE PAPER 'A'

Contribution to the Council's Corporate Priorities/ Objectives:	Fit for purpose, services fit for you <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i>
Consultation:	No public or partner consultations were required during the preparation of this report.
Legal:	There are no additional legal implications to those already contained in this report.
Financial:	There are no additional financial implications to those already contained in this report.
Human Resource:	There are no additional human resource implications to those already contained in this report.
Risk Management:	There are no additional risk management implications to those already contained in this report.

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ESSENTIAL REFERENCE PAPER 'B'

ANNUAL GOVERNANCE STATEMENT 2009/10 / ACTION PLAN 2010/11

Scope of responsibility

East Hertfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

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' (CIPFA 2007).

This statement explains how the Council has complied with the code and also how it 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.

Further copies of this statement are available on the Council's website www.eastherts.gov.uk/annualgovernancestatement2008/09, alternatively paper copies can be obtained from:

East Hertfordshire District Council
Internal Audit & Business Improvement Manager
The Causeway
Bishop's Stortford
CM23 2EN

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and by 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.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Controls 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 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 prioritise and manage them efficiently, effectively and economically.

The governance framework described below has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council's governance framework derives from the six core principles identified by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The Commission used work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007.

The six core principles are:

- 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; and
- f. engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of East Herts Council's application of each of these core principles are as follows:

Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

The Sustainable Community Strategy outlines the vision, aims and priority themes for the district. It was produced in conjunction with the East Hertfordshire Local Strategic Partnership, which brings together all relevant stakeholders, including those that deliver services in the area. During 2008/09 the Sustainable Community Strategy replaced the earlier Community Plan.

The Council's aims and objectives are set out in the annually updated Corporate Strategic Plan. This contains six priorities, plus related aims and objectives. The Corporate Strategic Plan sets out what the Council expects to deliver over the next four years and, in many cases, beyond this timeframe. The details of how the Council will get there are incorporated in the individual service plans. The Plan will be updated each year to include new service developments and to remove actions once they are completed. The Plan sets the direction for the financial planning of the Council based on the Council's priorities.

The Executive receives the Medium Term Financial Strategy covering a four-year period, which is used to set initial parameters for the coming budget process to ensure that spending proposals are affordable and sustainable over the medium term.

The diagram below sets out the various links in the process of establishing and subsequently monitoring the achievement of the Council's ambitions, and shows the links between the Sustainable Community Strategy and Corporate Strategic Plan which then feed into, and are informed by, service plans, service targets and individual employees via specific areas of responsibility allocated to them.



The Council has an effective performance management framework using a dedicated IT system to record and report performance. The system is driven by the Service Plans which focus on activities that will deliver the Council ambitions and priorities. This is cascaded through individual employee appraisals.

This process monitors how the Council is meeting its targets and triggers corrective actions where targets are proving challenging.

The Council's Executive and its Scrutiny Committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary. This reporting is undertaken using a graphical speedometer system so as to make interpreting of the results easier. There are reports which include the results of monthly and quarterly budget monitoring reports covering the revenue expenditure, capital projects, key performance indicators and absence monitoring.

The monitoring process has enabled the Council to concentrate on areas which require particular attention.

The Council is therefore able to monitor all key measures on a monthly basis and respond quickly and effectively to changes at an early stage.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness in the use of resources. The Council has adopted Contract Procurement Rules in order to ensure proper arrangements are in place for procurement of goods and services.

The Council reviewed its financial rules in February 2008, with modernised financial regulations being approved by Council in March 2008. Revised procurement rules were adopted at the same time. All budget heads are allocated to a named post holder, who is responsible for controlling spend against those budgets, and who is also responsible for maximising the benefits from assets used in the provision of their service. These changes maintain control but allow greater flexibility.

A Member/officer Group proposed revisions to the Financial Regulations which were approved by Council on 12 May 2010. Revised Procurement Regulations are being considered by the Group.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

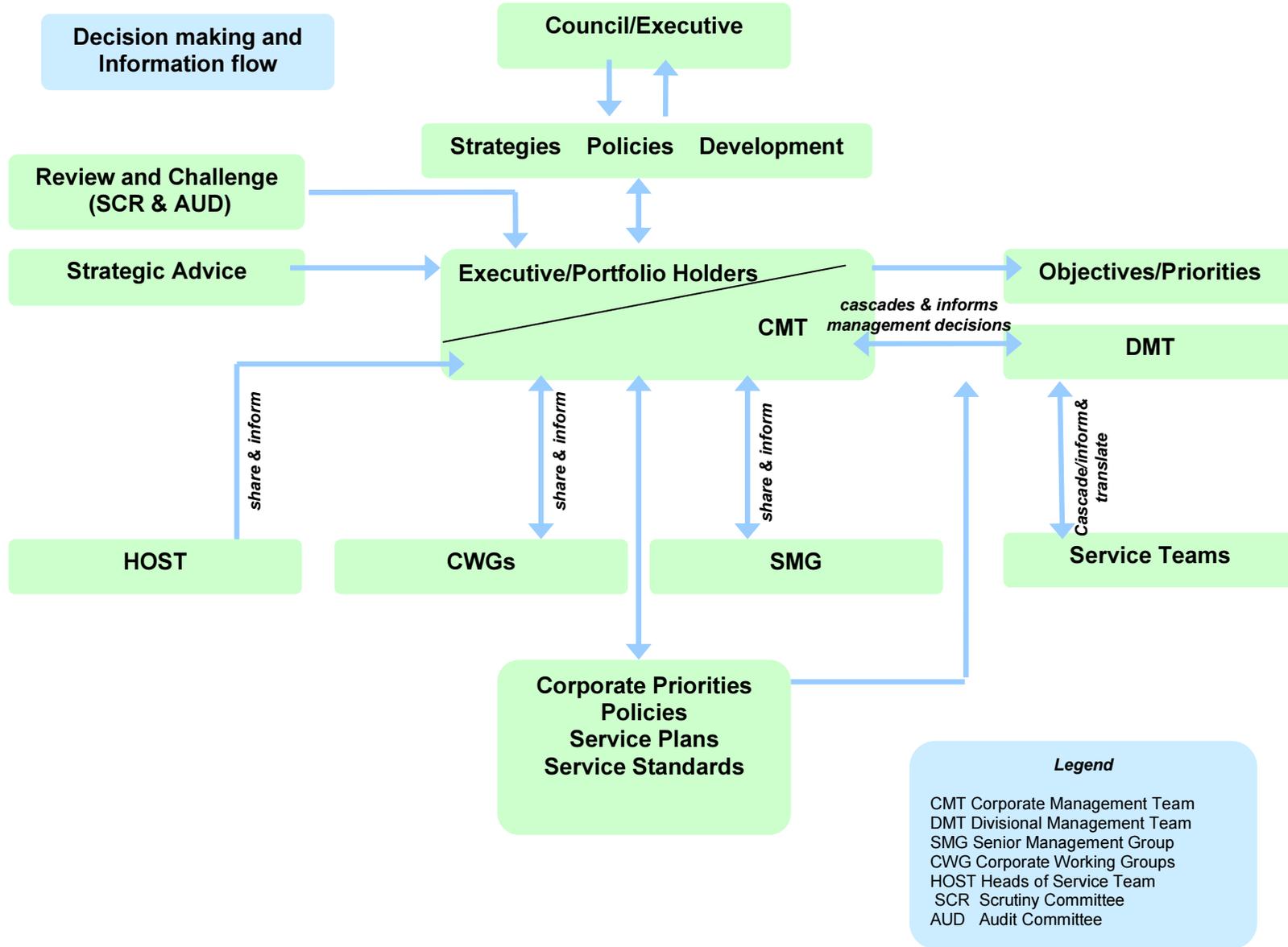
The main decision-making committee is the Executive, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except where personal or confidential matters are being discussed. In addition, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the constitution. The Council publishes a forward plan which contains details of key decisions to be made by the Executive. Each Executive Member has a specific portfolio of responsibilities requiring them to work closely with senior and other employees and other stakeholders so as to achieve the Council's ambitions. The Council has adopted individual decision-making powers for the Portfolio Holders.

A Member-officer group undertook a thorough audit of the constitution. This resulted in amendments to the constitution which were approved by Council in March 2009. The constitution has been made more user friendly with an improved layout and greater clarity. A new guide and flowcharts have been added to improve accessibility and understanding of the Council's decision-making process. Council approved amendments to the Constitution on 12 May 2010 following the annual review. Changes related mainly to the new procedure for the consideration of petitions.

The Council's Corporate Management Team (CMT) consisting of the Chief Executive, Directors and the Head of People and Organisational Services meets on a fortnightly basis to develop policy issues commensurate with the Council's aims, objectives and priorities. CMT also considers internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management. Members of CMT meet with Portfolio Holders on a monthly basis to review

progress in achieving the Council's ambitions, priorities for action, budget monitoring, performance management and forward planning for major issues. CMT has a corporate responsibility for the messages that the Council produces, both internally and externally.

Below CMT the management structure is well defined comprising the following groups and teams, the chart below indicates how decisions are implemented and cascaded:



Planning On Line Group
Safety Committee
Working Arrangements Project Group
Working Arrangements User Group
Business Continuity Corporate Group
Emergency Planning
Officers and Members Group reviewing
Financial Regulations

ICT Strategy Group
ICT Liaison Group
Corporate Procurement Strategy
Equality Officers' Group
Responsible Authorities Group
Use of Resources
Operational Risk Management

The Council has adopted a number of codes and protocols that will govern both Member and officer activities. These are:

- Members' Code of Conduct
- Officers' Code of Conduct
- Members' Planning Code of Good Practice
- Member/Officer Relations Protocol

Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has designated the Director of Neighbourhood Services as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive and Section 151 Officer he will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The processes have ensured compliance with policies and good practice such that there was only one instance during 2009/10 of the Monitoring Officer having to consider the need for a report. Under Section 5 of the Local Government and Housing Act 1989 it is the duty of the Council's Monitoring Officer to report to Council if it appears that the Authority, a Committee or Officer of the Authority has made a decision which is contrary to law. Unfortunately, in one case a decision was made which contravened Section 2 of the Local Government Act 1986 which provides that the Council shall not publish any material which appears to be designed to affect public support for a political party. A press release referred to political parties. The press release was amended as soon as the problem was identified. The processes for the issue of press releases have been reviewed to prevent the issue arising again.

The Council recognises that expenses of politicians have recently come under serious scrutiny. During 2009/10 the Council considered a report from the Independent Remuneration Panel which makes recommendations to Council on allowances to be paid to Members. As at June 2010 the Council is in the process of reconstituting the panel following a report to the Council in May 2010. The current scheme is published in the Constitution.

All Council services are delivered by trained and experienced people. All posts have a detailed post profile and person specification. Training needs are identified through the Personal Development Review Scheme and addressed via the Human Resources service and/or individual services as appropriate.

The Council achieved re-accreditation for a further three years from April 2009 under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

The financial management of the Council is conducted in accordance with the Constitution and with Financial Regulations. The Director of Internal Services is the statutory Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Council has a Treasury Management Strategy Statement and Annual Investment Strategy in place. Investments are made in accordance with the Council's approved policy. All investment transactions and transfers undertaken in house are supported by appropriate documentation and are properly authorised. External fund managers are subject to strict regulation by the FSA. The Portfolio holder and the Leader of the Council receive regular updates from the Director of Internal Services. From 2009/10 the Chairman of the Audit Committee and Chairman of Corporate Business Scrutiny Committee are invited to participate in review meetings with Fund Managers.

The Council maintains an Internal Audit section, which operates to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Individual services have produced Service Plans, which currently cover 2010/11. These Service Plans are updated each year so that services know what they are required to do to achieve the Council's priorities and ambitions.

At individual employee level the Council has established a Personal Development Review Scheme so as to jointly agree individual employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for monitoring of performance during the year.

Regulation of Investigatory Powers Act (RIPA):

The Policy has been reviewed pending the changes to the RIPA regime. Details of authorisations are set out below: The number of directed surveillance authorisations granted during 2009 was 12 and the number in force at the end of the year was 5.

- Five were for fly tipping, in three instances CCTV cameras were installed but no further fly tipping was reported so the RIPA authorisation was cancelled; in one instance one incident of fly tipping and an incidence of littering occurred resulting in two 2 fixed penalty notices being issued. In one instance the RIPA authorisation is still in place as four incidences of fly tipping have occurred and investigations are taking place for possible enforcement action.
- Five were for antisocial criminal behaviour, in four instances the RIPA authorisation was cancelled and no enforcement action was sought and in one instance there is ongoing surveillance.

- Two authorisations were for defamatory or malicious emails to Council both of these are still outstanding.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The Council has several committees which carry out regulatory or scrutiny functions. Following a review in November 2007 these are:

- Development Control Committee determines planning applications and related matters;
- Standards Committee promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the District;
- Audit Committee provides assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;
- Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- Overview and Scrutiny committees (Corporate Business Scrutiny, Community Scrutiny and Environment Scrutiny) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions, developing the capacity and capability of members and officers to be effective.

In 2008 the Council adopted new data protection policies and a revised data sharing protocol was approved in 2009 to ensure personal data is maintained securely and used correctly.

The Risk Management Strategy defines risk management, explains the benefits of a strategic approach, outlines how it will be implemented, identifies roles and responsibilities and formalises the process. The Strategy sets out the links between risk management, emergency planning and business continuity. It recognises that risk management is a key part of the management of projects and partnerships.

The Strategy highlights how risk management supports strategic planning, financial planning, policy making and review and performance management.

The Corporate Management Team is responsible for ensuring that the key risks on the strategic risk register are managed. Strategic and service risk registers are reviewed on a quarterly basis. Risks will be amended so that they reflect the current situation, obsolete risks deleted and new risks added. This will ensure that the risk register and the resulting risk mitigation measures are appropriate for corporate objectives and services.

Risk management reporting arrangements are included which describe the roles and responsibilities of Members and officers. Members have received training on the strategy.

The Strategy sets out the foundation for integrating risk management into the Council's culture and addresses the challenges that were raised in the recently abolished

organisational assessment component of the Comprehensive Area Assessment (CAA). It will also formalise the process to be applied across the Council to ensure consistency and through greater clarity improve understanding of the role and benefits of strategic risk management.

A new Strategic Risk Register was developed during a series of workshops with Corporate Management Team. New operational risks have also been developed. The Council is implementing a new Partnership Protocol.

The Council is one of four partners in the Stevenage CCTV Partnership. The structure of the partnership is being reviewed. This review will include the governance arrangements.

Developing the capacity and capability of Members and officers to be effective

The Council plans and provides training for members in carrying out their roles effectively including their responsibilities for governance, challenge, scrutiny and review.

During 2009/10 Councillors attended the following scrutiny related events:

- Community Leadership
- Scrutiny of Partnerships
- The Duty to Involve: the role of elected members in citizen involvement and civic responsibility
- Public Engagement through Scrutiny
- CfPS Parliamentary Seminars
- Decision Making Processes
- Data Quality
- Covalent training (Performance Management software)

Councillors will have another chance to attend some of the 2009/10 events which are provided on a rolling programme, but they have also identified some new areas of training for 2010/11:

- Chairing scrutiny
- Questioning techniques - framing questions which are objective, constructive and probing
- How to analyse and interpret data
- Evaluating evidence
- Making evidence-based decisions and recommendations.

Specialised training has been provided to enable members to undertake regulatory functions. The Council has an infrastructure in place to support members' needs in respect of ICT requirements and the Council's Democratic Services team provide advice and assistance.

Protocols have been adopted to ensure clarity of the respective roles of officers and members.

The Council's recruitment process is designed to ensure only well qualified applicants are employed and the subsequent induction process is robust so that employees are effective. The Performance Development Review process ensures individual contributions are effective in meeting corporate priorities and capability issues addressed

by training. Internal communications methods and processes are reviewed to ensure staff remain well informed and their feed back is responded to. A biennial staff survey leads to action plans to improve effectiveness.

Training in professional and management competencies in 2009/10 had a particular focus on change as the Council enters a period of restructure in implementing the C3W programme.

The Council reviews its organisation and capacity as part of its annual service planning to ensure its staffing is commensurate in both quantitative and qualitative terms with its business plans. The Council is committed to the Pathfinder programme which will ensure more effective use of scarce skills by sharing across boundaries.

The Council's HR People Strategy seeks to ensure its pay and terms and conditions are adequate to attract and retain sufficient staff and to encourage staff to invest in their own development.

The Council seeks to maintain effective industrial relations to enable a high standard of service to the public to be maintained. Staff are fully consulted on proposed changes to terms and conditions. The Council engages with the trade union and staff to manage issues arising from pay settlements and changes to the organisation including the Local Joint Panel and the Human Resources Committee.

Extensive use is made of the Intra net to provide staff with ready access to learning material and best practice via a series of tool kits.

Engaging with local people and other stakeholders to ensure robust public accountability.

The Council encourages all members of the local communities to contribute to, and participate in, the work of the Council. The Council achieves this through its resident polls, Community Voice, Citizens Panel and the national Place Survey, to ensure that what it is doing meets the needs of its residents. The national Place Survey was introduced to replace the Best Value Performance Indicator (BVPI) survey. During 2009/10 central government released the satisfaction data for the 2008 survey and the results were presented to Corporate Business Scrutiny Committee on 6 October 2009.

The Council carried out a Residents' Survey in 2009 and Corporate Business Scrutiny Committee were presented the results on 17 November 2009, along with an action plan which incorporated the actions coming out of the 2008 Place Survey findings. Overall, both survey results recorded improvements for example:

- Satisfaction with the local area has risen from 82% in the 2006/07 BVPI Survey to 89.5 % in the Place Survey, demonstrating that the Council in partnership with other agencies is focusing and delivering on the concerns of local residents.
- Three out of five residents (61%) are generally satisfied with how the Council is running East Herts according to 2009 Residents Survey. This level of satisfaction is broadly reflected in the results from previous resident surveys.
- The percentage of residents that feel that the Council provides good value for money was relatively balanced between positive and negative in 2009 (53% and 48%

respectively) and was a significantly more positive result than in 2006/07 when only 45% responded in the positive to this statement and 56% responded negatively.

- Similarly an increasing proportion of residents, responded positively to the statement that the Council is efficient and well run: 63% in 2009 Residents Survey and 61% in 2006/07.

The action plan is a monitoring tool to help the Council and its partners continue to improve. Corporate Business Scrutiny Committee monitors the action plan on an annual basis.

The Council is awaiting Government guidance as to whether the Place Survey will go ahead in 2010/11. The next Residents' Survey is planned for 2011.

Alongside the surveys, the Council consults a sample of its Citizens Panel, along with specific focus group consultation seeking to ensure representation from the wider community and the local business community every year, on the forthcoming budget proposals. For 2010/11 this took place between October and November 2009 and focused on issues such as car parking, top up of services, charges and Councillor grants.

As a result of this consultation, it was agreed that the Council would:

- not introduce on-street charging before 2011/12
- increase the call out fee for infestation by rats to £20
- look at the proposal for fast tracking planning proposals
- stop leaf clearance, highways weed control and swathe cutting from 2011/12.

The Council also consults with its staff, the most recent Staff Survey being undertaken in December 2008 and results demonstrated that staff satisfaction had increased by 11 percentage points compared to the 2006 survey from 65% to 76%. The Staff Survey will become triennial and therefore the next survey is due in 2011.

The Council's Community Voice meetings engage with the public. Information from these meetings will be used to shape the future development of our vision including future investment and service provision. As part of this process, any impact on governance arrangements will be identified and responded to appropriately.

Individual members are active in their localities and with local groups and serve on a number of external bodies.

The Hertfordshire County LSP and the East Herts District LSP are forums for active engagement with wider stakeholders and a mutual holding to account in delivering the Community Plans. In setting the budget for 2010/11 the Council set aside £60,000 in each of the next two years to fund LSP determined initiatives.

The Council publishes an Annual Report setting out progress on its priorities in the prior year.

There is a strategic approach to consultation to ensure the information returned is reliable – the Council has adopted a Consultation Toolkit setting out best practice.

The Council's web site is under constant review to ensure it is of a good standard and that information is easily accessed

The Council manages freedom of information requests effectively to ensure transparency including the corporate governance arrangements. Information is made available on the website to reduce the need for requests.

Review of Effectiveness

Each year, the Council reviews its governance framework including the system of internal control. The process to be adopted for a review is detailed below:

- All Directors, Heads of Service, Members of the Executive and Chairmen of Committees given the opportunity to make contributions.
- Production of a draft Annual Governance Statement and circulation for comments by senior managers.
- Consideration by Corporate Management Team of the draft Statement.
- Consideration by the Audit Committee.
- Consideration by the Standards Committee.
- Consideration by the Human Resources Committee.
- Consideration by the Corporate Business Scrutiny Committee.
- Consideration by the Executive
- Approval by the Audit Committee.
- Approval by full Council.

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2009/10.

The review of effectiveness is informed by the work of the Directors within the Council who have responsibility for the development and maintenance of the governance environment, the reports by the Internal Audit and Business Improvement Manager and also by comments made by the Council's External Auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. A full review of the scrutiny function was undertaken during the latter part of 2007 to ensure it was effective and reflected current best practice and legal requirements. The Financial Regulations and Contract Procurement Rules were replaced in March 2008 to ensure that they complied with current best practice. An annual review is undertaken reporting to the Annual Council in May. E-Marketplace has been introduced to reduce transaction cost; speed up processing and provide detailed monitoring information. This will also improve the effectiveness of controls over procurement activities.

- The Council has three overview and scrutiny committees. The committees can establish 'task and finish' groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Scrutiny Committee. Four Members can "call-in" a decision which has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. In addition the Corporate Business Scrutiny Committee can exercise its scrutiny role in respect of Executive functions, Scrutiny Committees will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing. During 2009/10 a task and finish work group reported on Plain English and Report Writing.
- In July 2008 the Standards Committee approved processes for local assessment of complaints to be processed. The processes have been applied to complaints considered by the Committee. The Committee is reviewing the processes.

Quarter	Case Details	Date received by EH	Source of complaint	Referral Decision
2009 4 th Quarter	NIL			
2010 1 st Quarter	EHDC/01/10	05/01/10	Member	Referred to MO for investigation

The Standards Committee has received extensive training on the new system.

1. The Committee provides training for Town and Parish Councils, explaining the role of the Standards Committee.
2. The Committee will review the Member/Officer Relations Protocol.
3. The Committee will review the Members' Planning Code of Good Practice.

The Audit Committee

It is the function of the Audit Committee:

- To consider reports dealing with the management and performance of the providers of internal audit services.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To monitor the effective development and operation of risk management and corporate governance in the Council.
- To monitor Council policies on "Confidential Reporting" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

- To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- To consider the Council's compliance with its own and other published standards and controls.
- To review the annual statement of accounts
- To consider the External Auditors report to those charged with governance on issues arising from the audit of the accounts.

The Audit Committee's work programme and the minutes of its meetings are public documents and are published on the Council's web site or may be obtained from:

East Hertfordshire District Council
 Internal Audit & Business Improvement Manager
 The Causeway
 Bishop's Stortford
 CM23 2EN

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a 3-year plan, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant chief officer and service manager. The report includes recommendations for improvements that are included within an action plan (and graded as high, medium or low risk). This requires agreement or rejection by relevant chief officer and/or service manager. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include an opinion on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions.

Substantial assurance	All required controls are in place and functioning correctly, performance indicators are good and no errors were detected during the period of review.
Good assurance	All major controls are in place, some minor controls may be absent or have faltered, performance indicators are good and no errors were detected during the period of review.
Adequate assurance	Major controls are in place, some minor controls may be absent or have faltered, performance indicators suggest no problems and no significant errors were detected during the period of review.
Limited assurance	Major controls have failed or are absent and/or major errors have been detected during the period of review.

Direction of travel statements in respect of any change of audit opinion since the previous review are also contained within all audit reports.

All Internal Audit reports are circulated to members of the Audit Committee and the progress reports on the work of Internal Audit address issues arising from these ratings.

The Internal Audit and Business Improvement Manager's 2009/10 Annual Report has confirmed that the overall level of assurance awarded for systems reviewed is "good". This represents no change in the direction of travel since 2008/09.

The Internal Audit service is subject to regular inspection by the Council's External Auditors who place reliance on the work carried out by the section. The independence of Internal Audit has been strengthened in that the Internal Audit Manager has a direct reporting line to the Director of Internal Services.

For performance management, a traffic light monitoring and reporting system is in place. Performance data is reported to the Scrutiny committees on a frequent basis, with corrective action plans put in place for any under-performing areas.

In January 2010 the Audit Committee received a report from the External Auditor on the Council's arrangements for audit and scrutiny. The report concluded that the Council had developed the scrutiny function since 2007 and that the Audit Committee had improved its effectiveness. The level of scrutiny at East Herts is considered similar to other councils audited by the External Auditor and "the commitment to scrutiny is strong and well supported by officers".

Arising from this report an Action Plan was agreed and will be monitored by the Audit Committee on a six monthly basis.

As part of the CPA and the CAA framework for districts, the Council has been assessed several times under the 'use of resources' category. The outcome of the latest assessment which was widened under the CAA framework, was reported in January 2010 and awarded the Council a score of 2 (out of 4). It should be noted that the new government on 27 May 2010 instructed that all work on the Comprehensive Area Assessment (CAA) framework should cease with immediate effect. The Council will continue to monitor against the current improvement plan borne out of the recommendations from the 2008/09 assessments until new legislation is in place.

The most significant areas where the self assessment has highlighted further development is needed are set out below.

The Council's Corporate Management Team has reviewed and approved this Annual Governance Statement.

Significant governance issues

The following governance issues were identified during 2009/10 as a result of the review of arrangements and by the work of external and internal audit:

The actions arising from the review by the External Auditor of audit and scrutiny arrangements need to be completed and embedded during 2010/11 with C3W actions continuing in to 2011/12.
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External Audit review of C3W Programme identified that when undertaking future options appraisals HM Treasury Green Book guidance and other best practice should be followed in preparing the analysis.

The need to ensure that an adequate control environment remains in place during a period of strained resources.
The need to ensure that appropriate governance arrangements are in place for a Revenue and Benefits Partnership with Stevenage Borough Council.
The need to ensure that appropriate governance arrangements are in place for the proposed county-wide shared Internal Audit Service.
The need to review the Council's Performance Management framework following the Government's decision to abolish CAA.
Consultation process as to future Member Leader/ Mayor model.
Hertford Theatre future governance arrangements.
CCTV governance issues.
Refuse Contract- to ensure that smooth transition arrangements are in place regarding selection and appointment of contractor.
Ability to respond to new Government requirements to publish information on the Web.

The following table contains eight outstanding governance actions from the Annual Governance Statement Action Plan 2009/10.

Required enhancements to internal control arrangements:

Milestone	Resp. Off.	Target Date	Actions needed to achieve milestone	Status
Risk of failure to deliver an effective, efficient and economic IT service	Peter Searle	March 2010 Revised to March 2011	<ul style="list-style-type: none"> IT Strategy in place. All outstanding high risk IT audit recommendations implemented. Resilient IT business continuity arrangements in place. 	AMBER
Leisure Contract- risk of contract failure	George Robertson	March 2010 Revised to March 2011	<ul style="list-style-type: none"> No significant outstanding recommendations from Internal Audit review. All major building works carried out to client's satisfaction. 	AMBER
Working arrangements- risk of failure to introduce flexible	Philip Hamberger	July 2011	<ul style="list-style-type: none"> Satisfactory Phase 1 rollout with no substantial unresolved issues. 	AMBER

working arrangements will limit the opportunity to make cost savings, opportunities to work with other partners and adversely affect staff retention.				
To implement health and safety risk assessments and to continue the programme of health and safety training and to review the effectiveness of the risk assessment toolkit and training initiatives.	Chris Gibson	April 2010 Revised to March 2011	<ul style="list-style-type: none"> All risk assessments completed and published on the Intranet. Regular reporting of compliance arrangements in place. 	AMBER
Risk that Pathfinder Group fail to deliver required levels of efficiency across Hertfordshire	CMT	March 2010 Revised to March 2011	<ul style="list-style-type: none"> Project Initiation Documents (PID's) in place for Procurement, Internal Audit, Legal & Human Resources. Procurement savings continue to be delivered across the County. 	AMBER
Risk of significant variance from financial plan.	Alan Madin	March 2010 Revised to March 2011	<ul style="list-style-type: none"> No significant variances in outcomes compared to provisional outturn figures. No positive/ negative variances in excess of £100k not previously reported. Capital Programme delivered to within 85% of revised budget. 	RED
Risk of action by key strategic partnerships occurring in an uncoordinated way.	Chief Executive & Directors	August 2010 Revised to March 2011	<ul style="list-style-type: none"> Partnership protocol endorsed and tested by all key partners. 	AMBER

Need to ensure the Council has the capacity and capability to commission and procure quality services and supplies, tailored to local needs, to sustainable outcomes and value for money.	Alan Madin Chris Gibson	April 2010 Revised to March 2011	<ul style="list-style-type: none"> • Procurement Pathfinder PID signed off by Hertfordshire Chief Executives. . • Procurement Plan approved by CMT. • New Procurement Officer in place. • Procurement training delivered to Senior Managers. 	AMBER
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We propose to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Certification by the Leader of the Council and the Chief Executive

Name	Position	Date	Signature
Councillor A P Jackson	Leader		_____
Anne Freimanis	Chief Executive		_____

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