

Annual Governance Assurance Statement

FOR THE PERIOD 1 APRIL 2011 TO 31 MARCH 2012

1.1 SCOPE OF RESPONSIBILITY

- 1.1.1 Dover 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. Dover District 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.
- 1.1.2 In discharging this overall responsibility accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of Dover District Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.1.3 To this end, Dover District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at <http://www.dover.gov.uk/default.aspx?page=7734> or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.
- 1.1.4 This statement explains how Dover District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2011 in relation to the publication of a statement of internal control.
- 1.1.5 Dover District Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. The Section 151 Officer, the Monitoring Officer and the Solicitor to the Council have been given responsibility for:
- Overseeing the implementation and monitoring the operation of the Local Code.
 - Reviewing the operation of the Local Code in practice.
 - Reporting annually to the Executive and the Governance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.
- 1.1.6 In addition, Dover District Council's Director of Governance has been given the responsibility to review the arrangements independently and report annually to the Executive and the Governance Committee and to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.
- 1.1.7 In discharging this overall responsibility, Dover District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Dover District Council's functions, and which include arrangements for the management of risk.

1.2 **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 1.2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 1.2.2 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 Dover District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 1.2.3 The governance framework described below has been in place at Dover District Council for the year ended 31 March 2012 and up to the date of approval of the Council's accounts.

1.3 **CORPORATE MANAGEMENT TEAMS FINDINGS**

The Council's Corporate Management Team, comprising the Chief Executive and the Directors, has evaluated the findings of this review into the Council's governance arrangements. They consider that the improvements during the year, and the significant governance issues to be addressed as recorded in this statement are complete and accurate and will enhance governance arrangements within the Council.

Based on work throughout the year, the Council's Internal Auditors have provided a good level of assurance on the Council's systems of internal control. Further details of this are included in the Annual Report by the Head of the East Kent Audit Partnership.

1.4 **THE GOVERNANCE FRAMEWORK**

- 1.4.1 The key elements of the systems and processes that comprise the authority's governance arrangements are summarised below:

Identifying and communicating our vision and outcomes for citizens and service users

A New Corporate Plan for 2012-2016 was published and is available on the Council's website.

Reviewing our vision and its implications for our governance arrangements

Progress towards the achievement of the objectives has been monitored through the Performance Management Framework, the Performance Report, the Projects Advisory Group and through other internal review mechanisms. In the year under review these controls were appropriately applied.

Established clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

Communication and Consultation strategies are in place. The Council has published its equality data and annual report in line with the Public Sector Equality Duty helping to ensure that all groups in our community have a voice, can be heard and know how the Council makes its decisions.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Dover District Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Executive is responsible for most decisions. The Executive is made up of the Leader and a Cabinet. Major decisions required are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide. There are two overview and scrutiny committees who support and monitor the work of the Executive. A "call-in" procedure or addition to the work programme allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of members and officers of Dover District Council, its partners and the community are defined and communicated through codes of conduct and protocols. These include:

- Members' code of conduct
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- A fraud and corruption policy
- Member/officer protocols
- A Standards Committee with five independent members

Whistle-blowing and receiving and investigating complaints from the public

A confidential reporting hotline is in place to enable internal and external whistle blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous. There are also processes in place for staff to report through their line managers or East Kent Audit.

The Council has an effective formal and informal complaints procedure. We have received no findings against Dover District Council from the Local Government Ombudsman.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Director of Governance and Solicitor to the Council are responsible for

ensuring that the Constitution is subject to annual review. The last full review was adopted by Council in March 2011. A further review of part three of the constitution was considered by the Governance Committee in March 2012 and adopted by Council on 16 May 2012. The significant changes are the alignment of new delegations and new executive arrangements. Another full review will be undertaken once the Localism Act has been fully implemented

Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Dover District Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.

Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, Human Rights, and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation, where appropriate arranging training for all or key members of staff.

In 2002 as part of the original Local Code of Corporate Governance, Dover District Council adopted a Risk Management Strategy. This strategy was reviewed by the Governance Committee in September 2011. It shows the role both Members and Officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to regular review.

As part of the year-end process a Service Assurance Statement has been provided by all Directors, detailing their assessment of their services. They are required to give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance.

The Solicitor to the Council has also provided his opinion on the Council's compliance with its legal obligations. He is satisfied that the Council is complying with relevant legal obligations.

Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

Dover District Council through its budgetary monitoring and control processes ensures that financial resources were being used to their best advantage, via monthly management reporting to the Corporate Management Team and Members.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the Corporate Management Team, and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. Corporate Management Team is tasked with prioritising resources to ensure that the objectives within Corporate Plan are supported by the individual

service plans, and that improvements are in line with corporate objectives.

Corporate and key service objectives are carefully monitored to ensure that performance targets and indicators are being achieved.

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

Financial Management

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In addition to the Financial and Contractual procedure rules contained within the constitution, in order to maintain its financial management the Council operates budgetary control procedures which are used in conjunction with a Medium Term Financial Plan (MTFP).

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process in 2011/12 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the use of the prudential code and associated indicators;
- Monthly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.

Effectiveness of Internal Audit

The Internal Audit Team reports to the Director of Finance, Housing and Community, and operates under a Charter, which defines its relationship with the Council's officers, and the Governance Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control system of the Council to the Corporate Management Team and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;

- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets; and
- The integrity and reliability of information and data.

As part of the wider annual review of the governance arrangements and in particular the System of Internal Control, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. This review was undertaken by the Director of Governance (Monitoring Officer) and Director of Finance, Housing and Community (Section 151 Officer). The review concluded that an effective system of internal audit is provided through the East Kent Audit Partnership and the opinion of the Head of the Audit Partnership in her annual report can be relied upon. The full details of the review will be reported to the Governance (Audit) Committee, alongside this document as it is a key element of the review of the system of internal control and governance framework.

A Governance (Audit) Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

It is a responsibility of the Governance Committee (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. The review also considered the effectiveness of the Council's Governance (Audit) Committee. The review concluded that the Governance (Audit) Committee was effective and added value to the internal control system. Its terms of reference are outlined in the Council's Constitution.

Performance and Risk Management

The Council's Performance reporting to Members was maintained during the year which saw a major review of the Regeneration and Development sections to identify efficiencies and more effective ways of working.

The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

A resourced training and development plan is being developed for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

Incorporating good governance arrangements in respect of partnerships and other group working

Partnership evaluation criteria have been established to help ensure that all key governance criteria are incorporated into new and existing partnerships. This is currently being further developed to include assessment of all shared services.

The ethical conduct of members and officers of this Council

The Standards Committee and the Head of EK Human Resources have provided a positive opinion on the Council's compliance with its Ten Principles of Good Conduct.

1.5 REVIEW OF EFFECTIVENESS

- 1.5.1 Dover District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal

control. This review is informed by:

- The work of the Internal Auditors and the Head of the Audit Partnership's Annual Report.
- The work of Directors and managers within Dover District Council who have responsibility for the development and maintenance of the governance environment.
- The external auditors in their Annual Audit and Inspection Letter and other reports, including their Value for Money Statement.

These reviews considered that there were no major areas of concern for the Council during 2011/12. Internal audit stated that the Council can have a very good level of assurance in respect of all its major financial systems and the majority of its Governance arrangements and that the Council can be very assured in these areas.

1.5.2 The following process have been applied in maintaining and reviewing the effectiveness of the governance framework:

Council

At a corporate level the Corporate Plan, Service Plans and the Constitution have all been subject to review. Performance is reported against out key priorities on a quarterly basis and outlines our priorities and targets for the forthcoming year. A code of conduct for members is also in place.

All key services were prioritised in 2010/11 and agreed by members as either gold, silver or bronze status. These service levels were maintained during 2011/12

Cabinet and Scrutiny (Policy and Performance) Committee

The Cabinet have responsibility for monitoring the achievement of key priorities and setting robust and challenging targets and Scrutiny (Policy and Performance) Committee monitor achievement of these targets.

Governance Committee

The Governance Committee receive quarterly updates from the Head of the Audit Partnership on the assurance which can be placed against various systems and processes during the year, along with an annual assessment at the year end.

The Governance Committee have reviewed reports presented to it by the Head of the Audit Partnership in connection with the review of internal control. The Committee keeps a check on those areas that have not achieved a satisfactory level of assurance. Additionally, this committee receives the Council's annual Constitutional Review, for recommendation on to Council and ensures the effectiveness of the Council's risk management arrangements.

Standards Committee

The Standards Committee receives a quarterly report on progress of formal complaints against the Council. During 2011/12, it considered 7 allegations of breaches of the code of conduct by members of Dover District Council however none of these were upheld. The Annual Report of the work of the Standards Committee was considered by Council on 16th May 2012, the report for 2010/11 was presented to the Annual Council Meeting in May 2011 and both reports gave a

positive opinion on the ethical conduct of the members of this Council.

Internal Audit

Based on their work undertaken during the year, the Head of the Audit Partnership considers that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The report also considers that the Council can have very good level of assurance in respect of all of its main financial systems and a good level of assurance in respect of the majority of its Governance arrangements. Many of the main financial systems, which feed into the production of the Council's Financial Statements, have achieved a Substantial assurance level following audit reviews. The report goes on to state that the Council can be very assured in these areas and that this position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There were six areas where only a limited assurance level was given. Follow up work re-assessed two of these areas as reasonable with three areas where action is planned; Formal complaints monitoring where positive action is now being taken to capture best practice and lessons learned, Partnerships where it is planned to develop systems which will include shared services. Payroll, Health and Safety and Contract Standing Order Compliance will have further assessments in Quarter two and three of 2012/13. Two further areas, which had been assessed in 2010 as limited remain at this level; Leasehold services, where full review is planned for 2013/13 and procurement where the procurement panel has been re-established.

External Agencies

No external service level inspections were undertaken this year

1.6 **IMPROVEMENTS DURING THE YEAR**

1.6.1 In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements in respect of the following areas, which had been previously identified as areas in which we could improve:

High Priority

- Shared service working, which commenced in February 2011 completed its first full year and a report from its director has helped inform this report
- East Kent housing was established on 1st April 2011 to combine the landlord services for the four East Kent Authorities and a report from the director has helped inform this report.
- A major service review was carried out in respect of Regeneration and Development and work has started to implement the report's findings.

Medium Priority

- The review of the Council's constitution is an annual arrangement
- In May 2011 the Council reviewed the constitution in respect of the scheme of officer delegations, together with other changes to reflect organisational restructures.
- A review of part 3 of the constitution was held in March 2012.
- A full review of the constitution will be undertaken once the Localism act has

been fully implemented.

Low Priority

- Codes of conduct were reviewed to ensure commonality with key East Kent Partners
- Data retention policies and guidance was reviewed.

1.7 **SIGNIFICANT GOVERNANCE ISSUES**

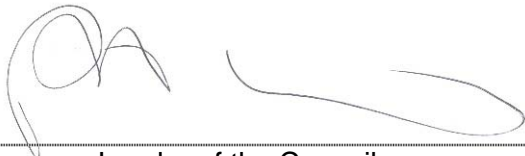
1.7.1 On the basis of the Corporate Governance Position Statements compiled by the Monitoring Officer following a review of the Council's processes, and reviewed by the Council's Corporate Management Team, and the Statements produced by Directors, we are satisfied that, except for the matters listed below, the Corporate Governance arrangements for Dover District Council are adequate and operating effectively.

1.7.2 Significant on-going items:-


- Inadequate provision
 - None
- Areas for Development
 - Olympic expenditure is being impacted by external requirements from LOCOG and the tight deadlines. Suitable event management and action plans are in place to ensure that events are successfully delivered. (Developed in May 2012). These need to be tested at a table top exercise on 31st May 2012.
 - Ensuring regeneration projects are kept on track - continue Monthly monitoring by the project advisory group.
 - Training for members and staff on the implications of the Public Sector Equality Duty and Equality Act Case Law on day to day business.
 - Review and rationalise the Performance Management Framework.
 - We need to continue to investigate ways of publishing financial information in a format that the public generally can more easily understand, and ensure that significant issues are made available specifically to key stakeholders and partners.
- Outstanding Actions
 - A further constitutional review once the localism act is fully implemented
 - Gold, Silver and Bronze status for services – to be reviewed as part of 2013/14 budget process.
 - MMI - During the run-off process following the winding up of MMI in 1992/93, DDC has received £182,000 in claim payments. A recent Supreme Court judgement in relation to mesothelioma made the insurers (MMI) liable for claims, even when the injury was suffered some years before symptoms were manifested. As a result, payments to MMI creditors have to be re-distributed and all but £50,000 of the £182,000 received from MMI since 1992/93 may be paid back.

1.7.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet, Governance Committee and the Scrutiny (Policy and Performance) Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

1.7.4 We propose over the coming year to take steps 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.

Signatures:  Date: 27 September 2012

Leader of the Council

 Date: 27 September 2012

Chief Executive

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance

From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance

From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance

From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.