

Annual Governance Statement 2010-11

Scope of Responsibility

The Isle of Wight Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
- it makes arrangements pursuant to the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- it puts in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

This Statement outlines how the Council has complied with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government for the financial year ended 31st March 2011.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, 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.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31st March 2011 and up to the date of approval of the published financial statements.

Methodology for preparing the Governance Statement

This annual governance statement is prepared using a method similar to that used in previous years. This includes:

- All Heads of Service are required to make declaration as to the extent and quality of internal control arrangements operating within their departments for the year. The declaration covers a comprehensive list of those systems and procedures which deliver good governance. Heads of Service are asked to declare any weaknesses in their governance arrangements.
- The Council's directors review the results of those declarations and identify those issues which are significant or which are common to more than one service area.
- The Council's Audit Committee considers the draft statement and is afforded the opportunity to give its input to the statement and to consider whether it accurately reflects the Council's control environment.
- The Audit Committee approves the statement and recommends it to the Chief Executive and Leader for approval and subsequent publication

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The Governance Framework

There are a number of key attributes which a sound governance framework should demonstrate, which are set out below:

- *There is a clear vision of the authority's purpose and intended outcomes for citizens and service users that is clearly communicated, both within the authority and to external stakeholders*

The Council's strategic direction is encapsulated in the Eco Island vision. This aims to enable the Isle of Wight to become a world renowned Eco Island, with a thriving economy, a real sense of pride and where residents and visitors enjoy healthy lifestyles, feel safe and are treated with respect. The vision is underpinned by the corporate themes of:

- A thriving island
- A safe and well kept island
- A healthy and supportive island
- An inspiring island

The Eco Island vision is supported by the Isle of Wight Council Corporate Plan 2009-13 which clearly sets out the authority's focus for the four years of the current political majority group.

- *Arrangements are in place to review the authority's vision and its implications for the authority's governance arrangements*

The priorities of the Corporate Plan are refreshed annually and take in to account the views of local citizens via resident consultations including the annual budget setting process. Each refresh of the Corporate Plan will evaluate and determine if there are any implications for the authority's governance arrangements with appropriate amendments being made as necessary.

- *Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources*

The Council has a range of performance indicators and targets used to measure progress of both service and partnership activity. The indicators include a mixture of nationally and locally set performance measures which measure performance in achieving the Council's statutory requirements and corporate priorities. Directors and Cabinet Members have agreed performance targets for which they are jointly responsible and held to account for effective delivery by the Chief Executive and the Leader. These performance targets derive from the Corporate Plan and permeate down through service plans and team plans into personal objectives.

The Council has a clear commitment to embedding performance management consistently through all services, collecting data to inform the process and identify any areas where further action may be needed to secure improvement. As stated previously, performance is reported on a regular basis to the Cabinet and Scrutiny Committee, utilising the CorVu system to identify specific issues which may have an impact on the Council's ability to deliver its corporate priorities, and identifying action plans for improving performance. Reports on performance and risks are considered on a monthly basis by directorate management teams through the service board process and quarterly by directorate management teams, Directors Team, Cabinet and Overview and Scrutiny Committee.

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- *The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined, with clear delegation arrangements and protocols for effective communication*

The Council has adopted a constitution which sets out the framework within which the Council operates, how decisions are made and the procedures to ensure that they are efficient, transparent and accountable. The constitution is always under review and a number of minor amendments have been made during the 2010-11 financial year.

The Cabinet is responsible for the majority of the functions of the authority, within the budget and policy framework set by Full Council. Executive decisions can be taken by the Cabinet, by cabinet members or by officers acting under delegated powers, depending upon the significance of the decision being made. A Forward Plan is published two weeks before the first day of each calendar month providing details of decisions to be taken by Council, Cabinet or by Cabinet Member in the next four months. This enables consideration by other elected members, the public and Directors, in time for advice and recommendations to be made should it prove necessary. The Overview and Scrutiny Committee has the ability to call-in decisions and seek detailed information in relation to the decision taken, and can make recommendations on the decision before it is implemented. A separately constituted Audit Committee oversees the Council's external audit, internal audit and risk management arrangements.

A Monitoring Officer has been appointed by the Council. The Monitoring Officer has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by members are supported by a legal assessment provided by appropriately qualified officers.

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its senior officers has ultimate responsibility for the administration of those affairs. The Strategic Director of Resources is designated as that officer in accordance with S151 of the Local Government Act 1972. All member level executive decisions are supported by a financial assessment provided by a named financial officer.

The scheme of delegation sets out the levels of authority for decision making ranging from decisions that can be made by the full council at the top, to the decision making powers of individual officers further down the hierarchy.

- *Codes of conduct defining the standards of behaviour for members are in place, conform with appropriate ethical standard, and are communicated and embedded across the organisation.*

The members Code of Conduct is currently prescribed by legislation and is communicated to members through regular training. Adherence to the code is reinforced by the Ethical Standards Committee which has overview of the conduct of elected members.

The staff Code of Conduct is communicated to staff as part of the induction process for new staff members.

- *Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks*

The Council has established policies and procedures to govern its operations. Key within these are the Financial Procedure Rules, Procurement Code and Contract Standing Orders, Risk Management Policy, Codes of Conduct for Members and Officers, Anti-Fraud and Corruption Policy, a

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Whistleblowing Policy and Human Resources Policies. Ensuring compliance with these policies is the responsibility of all managers throughout the Council. These key controls are subject to periodic review (including that by Internal Audit) and are updated to ensure that they are relevant to the needs of the organisation

Contract Standing Orders set out the rules governing the procurement process to ensure that value for money is achieved whilst meeting all legal and statutory requirements and minimising the risk of fraud or corruption. The Procurement Code provides detailed procedural guidance on how to procure within the rules and the Procurement Board, composed of senior officers, monitors compliance with the procurement rules. Financial Procedure Rules set out the standards which officers must meet when conducting all financial transactions, including procurement, and are currently under review to reflect recent changes in financial systems and procedures.

A risk management framework has been in place across the Council for some years with the objective of embedding effective risk management practices at both strategic and operational levels. The Risk Management Strategy and Policy Guidelines were revised and updated during 2009/10 and are subject to periodic review and updating.

All decision reports being considered either by Council, Cabinet or a Cabinet Member have to be considered by Call Over which is an internal meeting chaired by the Director of Corporate Governance and Monitoring Officer and in addition to being a final quality check, the meeting also ensures that all prior process as defined within the various governance documents have been followed.

- *The core functions of an audit committee are undertaken by members*

The role of the Audit Committee is set out in the Council's constitution and one of its key roles is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. It is an independent committee comprising seven members (including up to one co-opted member) selected for their interest in and knowledge of Audit Committee business. It oversees the internal audit function and considers all relevant reports of the external auditor.

- *Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members.*

A Monitoring Officer has been appointed by the Council. The Monitoring Officer has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by members are supported by a legal assessment provided by appropriately qualified officers. The Monitoring Officer chairs a weekly meeting of Call Over that considers all Council, Cabinet or Cabinet Member reports for compliance with the various governance frameworks, including legality. All reports involving decisions where there are financial implications are reviewed by appropriately qualified financial staff.

- *Arrangements for whistle-blowing and for receiving and investigating complaints from the Public are in place and are well publicised.*

The Council operates a formal complaints management process which seeks to ensure that, when a service user is dissatisfied with the Council's services, that is fed back providing a valuable source of information to identify opportunities to improve services to the public.

The Council also maintains a confidential reporting policy (referred to as the Whistle-Blowing at Work Policy). This aims to ensure that serious concerns about malpractice or wrongdoing are properly raised

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and addressed. This policy addresses the provisions that are required from the Public Interest Disclosure Act 1998. Annual reporting is undertaken to the Audit Committee on matters of policy, reporting statistics and analysis of issues raised to determine future action/interventions required.

- *Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*

The Council adopted an has had an Elected Member Development Policy. This aims to ensure members are properly equipped to effectively fulfil their responsibilities in the governance of the Council's operations.

The Council has established a corporate Development Review Process. This provides an annual appraisal of work performance against agreed objectives, determines new objectives to be achieved and any learning and development needs identified and an appropriate programme of training where necessary is developed and agreed.

- *Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*

Effective and efficient communications and consultation are regarded as high priorities for the council and it has invested in building strong and proactive teams in order to deliver that. The council consults residents each year as part of the budget setting process and feedback has enabled the authority to set annual spending programmes that address the concerns and priorities of the local population. The council also consults residents around specific changes to service delivery, where appropriate, to help to improve services and influence decision-making.

- *Governance arrangements in respect of partnerships and other group working incorporate good practice and are reflected in the authority's overall governance arrangements.*

The drive for joined-up government continued in 2010-11 with the aim of producing better services for the public through the exploitation of the obvious synergies available through cooperative working between different public service providers. These relationships are evidenced by partnership agreements. During the year, the council's partnership arrangements were mapped and key attributes for each partnership recorded on a central database. Significant partnership arrangements were identified by the Director's Team and risk registers were developed for these arrangements.

Review of Effectiveness of the Governance Framework

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 the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied by the Council in maintaining and reviewing the effectiveness of the system of internal control during 2010-11, and in the period to publication of this statement, includes:

- The Monitoring Officer and her staff have a duty to keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose.

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- The Cabinet, both collectively and individually through the scheme of delegation, is responsible for considering overall financial, performance and risk management and receives comprehensive reports on a quarterly basis. Monthly reports on aspects of performance and financial management, in particular significant exceptions and progress with achieving targets, are considered by Service Boards together with action plans for dealing with risks.
- The scrutiny function includes an Overview and Scrutiny Committee and the following three Scrutiny Panels:
 - Children and Young People Scrutiny Panel
 - Economy and Environment Scrutiny Panel
 - Health and Community Wellbeing Panel
- The Overview and Scrutiny Committee is chaired by a member of an opposition group.. This Committee and the three Scrutiny Panels are wholly independent of the Executive functions of the Council. However, in consultation with relevant Cabinet Members each has developed its own work plan, and is responsible for delivering independent scrutiny of service and financial performance, decision making processes, efficiency and effectiveness in achieving the Council's objectives.
- The Council has an established Audit Committee, also independent of the Executive functions of the Council, and responsible for overseeing internal and external audit, risk management processes, reviewing the adequacy of internal controls and the outcome of external inspections.
- Internal Audit provides an independent assurance on the effectiveness of the Council's internal control processes including its risk management and governance arrangements. Internal Audit's work is undertaken in accordance with the annual audit plan which is prepared by the Chief Internal Auditor using a risk assessment in order to prioritise audit coverage. The audit plan is approved by Audit Committee. Reports are issued to service managers at the conclusion of each audit; where appropriate, these reports include recommendations for improvement and a timetable for implementation. Such recommendations are subsequently reviewed to ensure effective action has been taken. The results of audit work are regularly reported to Audit Committee. The audit plan is subject to regular review and discussion with the Council's external auditors, who place reliance on internal audit work when forming their own judgements about the effectiveness of internal control arrangements across the Council's services.
- The external auditor's Annual Audit and Inspection Letter is considered by the Cabinet and by the Audit Committee. Monitoring of progress towards implementing recommendations contained in the letter takes place as required.
- Known risks are managed by the Council's management using the Council's risk management systems and are considered at monthly directorate and service boards. Known risks and emerging risks are reviewed and identified as part of the preparation of the Governance Statement.

The System of Internal Audit

The Accounts and Audit Regulations (Amendment) (England) 2011 require that each authority undertakes an independent review of the effectiveness of its system of internal audit and to incorporate the outcome of that review within the Annual Governance Statement. The annual report and opinion of the Head of Audit have been considered by the Audit Committee. The Audit

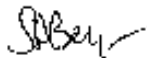
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Commission has confirmed that they are able to rely on the work of Internal Audit for the purposes of their 2010-11 opinion.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:



Date: 30 June 2011

Chief Executive

Signed:



Date: 30 June 2011

Leader of the Council