



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
25 JUNE 2009**

Report of the Head of Audit and
Risk Management

ITEM 11

ANNUAL GOVERNANCE STATEMENT 2008/9

RECOMMENDATION

- 1.1 To approve the inclusion of Annual Governance Statement (AGS) in the 2008/9 Statement of Accounts.

SUPPORTING INFORMATION

- 2.1 When publishing its annual accounts, the Council is required to consider and approve an Annual Governance Statement (AGS). The Statement (at Appendix A) sets out the Council's responsibilities, the purpose of the governance framework, the governance environment, its effectiveness and any significant areas of weakness identified with proposed actions to address these.
- 2.2 The governance framework is designed to facilitate the achievement of the Council's policies, aims and objectives, identifying and managing any risk to a reasonable level. The governance framework is embedded within the Constitution and the systems, policies procedures and operations in place.
- 2.3 The preparation and publication of the AGS in accordance with the CIPFA/SOLACE "Delivering Good Governance in Local Government" framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 for authorities to prepare a statement of internal control (SIC) in accordance with "proper practices".
- 2.4 The CIPFA/SOLACE framework sets out the 6 fundamental principles of corporate governance; these are:
 1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 5. Developing the capacity and capability of members and officers to be effective

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

2.5 The AGS has been structured around the 6 fundamental principles. The statement is produced following a review of the council's governance arrangements and includes an action plan to address any significant governance issues identified. The AGS explains the processes and procedures in place to enable the council to carry out its functions effectively. It is a formal statement that recognises, records and publishes an authority's governance arrangements as defined in the framework. The aim of the various elements of the framework is to ensure that:-

- The Council's policies are put into practice;
- The organisation's values are met;
- Laws and regulations are complied with;
- Council processes are adhered to;
- Financial statements and other published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

2.6 The review of the effectiveness of the governance environment is informed by a number of methods including the work of Internal Audit and the Head of Audit Opinion, External Audit and other external review bodies, the Governance Working Group, the Audit and Accounts Committee, the Scrutiny Commissions and the evaluation of the effectiveness of the system of internal audit (see separate report). The AGS is also reviewed by Chief Officer Group.

2.7 The arrangements required for gathering assurances for the preparation of the annual governance statement provide an opportunity for authorities to consider the robustness of their governance arrangements.

2.8 At the centre of the review process for the governance framework within the Council, there is a corporate working group of officers who contribute to the drafting of the final document, evaluating assurances and the supporting evidence and whether or not there is consistency with existing policies and the authority's "assurance framework". This group currently consists of:

- Head of Audit and Risk Management (Lead Officer)
- Assistant Director – Corporate Finance and Performance, Resources Department
- Planning and Performance Manager, Resources Department
- Assistant Director - Democratic Services, Corporate and Adult Services
- Assistant Director – ICT, Resources Department
- Head of Procurement, Resources Department
- Principal Solicitor, Corporate and Adult Services
- Head of Performance and Resources, Regeneration and Community
- Head of Finance, Environmental Services
- Assistant Director – Strategic Support, Children and Young People
- IT Security Manager, Resources Department
- Head of Communications, Corporate and Adult Services
- Policy and Governance Manager, Human Resources, Resources Department
- Acting Assistant Director for Commissioning and Performance, Corporate and Adult Services

- Acting Director, Derby City Partnership
- Commissioning Manager, Derby Community Safety Partnership

2.9 Assurances on the effectiveness of the governance framework are obtained throughout the year. This allows the Council to take any remedial action necessary at the earliest opportunity.

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Background papers:	CIPFA/SOLACE Framework
List of appendices:	Appendix 1 – Implications Appendix 2 – Annual Governance Statement 2008/9

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. The statutory reporting requirement for the Annual Governance Statement is linked to the publication of the authority's financial statements, which is 3 months after the deadline for approval.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. None directly arising.

**Derby City Council
Annual Governance Statement
2008/09**

1. Scope of Responsibility

Derby City 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 these overall responsibilities, Derby City Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

This statement explains how Derby City Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

2. The Council's 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 includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has 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 can not 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, 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 following paragraphs summarise Derby City Council's Governance Framework which has been in place for the year ended 31st March 2009 and up to the date of approval of this Statement and the Statement of Accounts. The framework is described to reflect the arrangements in place to meet the six core principles of effective governance.

3. Determining the Council's Purpose, its vision for the local area and intended outcomes for the Community

The Corporate Plan sets out the vision and priorities for the Council in the context of the wider Community Strategy.

The overarching LSP 2020 vision is for Derby to become a city for all ages – *‘People of all ages and from all walks of life will feel they belong to Derby and that Derby offers them everything they need - for work, education, housing, leisure and a safe, healthy lifestyle.’*

Derby City Partnership is the Local Strategic Partnership for the city. Chaired by the Leader of the Council, the partnership was restructured in 2006 to reflect current priorities and is divided into five ‘cities’ or themed areas...

- City for Children and Young People.
- City Growth.
- Cultural City.
- Healthy City.
- City for Stronger and Safer Communities.

The Council is a leading member of the Derby City Partnership. The new Sustainable Community Strategy was launched in April 2009 covering the period to 2011.

Derby City Partnership manages Derby’s Local Area Agreement, LAA, which was set up in 2005 to help deliver a set of shared priorities agreed between Government and key partners in Derby. In July 2006, the Government Office for the East Midlands rated Derby’s LAA as ‘Green’, which is the highest rating. A new three-year Local Area Agreement was negotiated in June 2008.

The Community Strategy, LAA and the Corporate Plan reflect the outcome of extensive consultation, analysis of current and future needs, and consideration of current performance.

For 2008-2011, we set six key priorities for improvement in our Corporate Plan...

- Making us proud of our neighbourhoods.
- Creating a 21st century city centre.
- Leading Derby towards a better environment.
- Supporting everyone in learning and achieving.
- Helping us all to be healthy, active and independent.
- Giving you excellent services and value for money.

The Corporate Plan identifies actions and resources over a three year period, most recently 2008-11 and the Annual Report contains specific targets for improvement. The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan and in the Local Area Agreement. Performance is reported to Council Cabinet on a quarterly basis, and is monitored by the Overview and Scrutiny Commissions. Performance reports are also prepared for the Derby City Partnership City Groups, Management Group and Board on a quarterly basis. Performance information is available across the Council and Partnership through the Performance Eye information system.

There are service delivery plans for all service units. These plans include clear identification of objectives and targets, reflect Corporate Plan priorities and include risk registers identifying risks to meeting the service objectives. They are updated annually.

The Council has a medium term financial plan and capital programme, to ensure that resources are aligned to priorities. The budget process incorporates consideration of the allocation of resources for the Corporate Plan aims. The medium term plan allows annual strategic review in the context of performance against Corporate Plan aims, and sets targets of efficiency improvement, to release resources for redeployment. Quarterly monitoring reports for the revenue budget and the capital programme are submitted to the Corporate Management Team, to Cabinet and to Resources Scrutiny Commission, and issues are referred to other Scrutiny Commissions as appropriate.

Priorities for service improvement have been identified, and there are a range of projects in progress with a view to achieving significant business efficiencies over the coming three years. The City Council also has a number of corporate processes, programmes and projects designed to improve efficiency including Transforming Derby, the Corporate Procurement Strategy, the Corporate Customer Service Standards, and the Value For Money Strategy.

Value for money is embedded in our culture; it is one of the components of our strategic priorities and has been for many years.

The Council's Performance Strategy sets out the planning and performance framework to manage the delivery of priority outcomes. The strategy is reviewed regularly (currently in place for 2007-10) and is supported by an action plan to develop arrangements for managing performance. The strategy is based on clear accountabilities, balanced information to support decision making, sound data quality and prompt action to tackle underperformance. For example, performance surgeries are held to discuss indicators that have missed targets or compare poorly with other authorities. In 2008, a new Performance Support Group was established at Partnership level to review cross cutting areas of service delivery, focused on the Local Area Agreement. This group meets quarterly and is composed of Cabinet, Scrutiny and Partnership representatives.

In 2008, a Data Quality Policy was approved by the Council and Partnership. The policy sets out the standards, roles and responsibilities for those involved in collating, analysing and reporting information. The policy is supported by an action plan, updates on which are regularly presented to Audit & Accounts Committee.

We have implemented an internationally acclaimed Strategic IT Framework that provides a range of integrated e-services, delivering a flexible, sustainable enablement of our business transformation agenda. Not only has this allowed us to integrate to back office systems from our multi-channel Derby Direct Contact Centre, but we also continue to use our Strategic IT Framework to enable efficiencies in community-focused, multi-agency service delivery.

The Council has published a set of customer service standards and operates a complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve.

As an organisation we are committed to meeting the service needs of a very diverse community. The Council was assessed at Level 3 of the 'Equality Standard for Local

Government'. We are now working towards achieving "excellent status" under the new "Equality Framework for Local Government" which builds on and develops the work we have done under the old standard.

4. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear.

The Council appoints a Cabinet, made up of the Leader, Deputy Leader and five other members, who are responsible for proposing budgets and policies and taking key decisions. Each Cabinet Member is responsible for a portfolio.

Over the last few years, the Council has sustained robust governance during a period of changing political administration. Indeed, since July 2005, the Council has had 4 different types of political control, which has not affected overall performance.

The Council has six Overview and Scrutiny Commissions which are tasked with scrutinising the Council's decisions and contributing to the development of its policies. Although they have no decision making powers, the Commissions are able to 'call-in' and review certain decisions of Council Cabinet. Until the call-in process is completed the decision cannot be implemented.

Additionally, the Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These leadership roles, and the delegated responsibilities of officers, are set out in the Constitution which came into effect on 3 December 2001.

All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. An Audit and Accounts Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

The Constitution also includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together

The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and chairs the Chief Officer Group.

Chief Officer Group – COG - meets on a weekly basis. Corporate Directors meet with their respective Cabinet members on a regular basis. An Assistant Directors Group supports the work of COG focussing on HR issues. A number of Officer Working Groups meet to deal with a range of specific service as well as cross-cutting issues.

All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are overseen by the Consultative Joint Committee.

The Corporate Director - Resources, as the s151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial

administration of the City Council. A corporate finance function provides support to departmentally based finance teams, and determines the budget preparation and financial monitoring process.

The Corporate Director of Corporate and Adult Services, as Monitoring Officer, carries overall responsibility for legal compliance and his staff work closely with departments to advise on requirements.

The Council has developed a partnership register.

5. Promoting our Values and Upholding High Standards of Conduct and Behaviour

Member and Officer behaviour is governed by Codes of Conduct. These include a requirement for declarations of interest to be completed.

The Council takes fraud, corruption and maladministration very seriously and has the following policies which aim to prevent or deal with such occurrences:

- Anti-Fraud and Corruption Policy and Fraud Response Plan
- Confidential Reporting Code (Whistleblowing Policy)
- HR policies regarding disciplinary of staff involved in such incidents

Conduct of Members is monitored by a Standards Committee, which also investigates allegations of misconduct by Members.

The Corporate Complaints Procedure enables the Council to receive and investigate any complaint made against it, a Member or a member of staff.

Our Workforce Development Plan 2007/10 is a three-year delivery plan for our People Strategy. Implementing the Plan is a key objective in our Corporate Plan. Many components of the Plan represent an important contribution to our change agenda. The Plan sets out an exciting and challenging agenda for change that we believe will maintain and develop a workforce fit for the challenges on the years ahead.

6. Taking Informed and Transparent Decisions and Managing Risk

The Council's Constitution sets out how the Council operates and the process for policy and decision making.

Full Council sets the policy and budget framework. Within this framework, all key decisions are made by the Cabinet. Cabinet meetings are open to the public (except where items are exempt under the Access to Information Act). The council began the webcasting of Full Council, Council Cabinet and Planning Control meetings in September 2005. The Forward Plan of key decisions to be taken is published on our website.

All decisions made by Cabinet are made on the basis of written reports, including assessments of the legal and financial implications. The financial and legal assessments are provided by finance and legal officers.

The decision-making process is scrutinised by a scrutiny function which has the power to call in decisions made, but which also undertakes some pre-decision scrutiny and some policy development work.

Other decisions are made by officers under delegated powers. Authority to make day to day operational decisions is detailed in departmental Schemes of Delegation.

Policies and procedures governing the Council's operations include Financial Procedure rules, Contract Procedure Rules, Procurement Regulations and a Risk Management Policy. Ensuring compliance with these policies is the responsibility of managers across the City Council. The Internal Audit Section checks that policies are complied with. Where incidents of non-compliance are identified, appropriate action is taken.

The Council's Risk Management Strategy requires that consideration of risk is embedded in all key management processes undertaken. These include policy and decision making, service delivery planning, project and change management, revenue and capital budget management and partnership working. In addition, a Corporate Risk Register is maintained and a monitoring group meets quarterly to review the extent to which the risks included are being effectively managed.

Departmental Risk Registers are maintained through the Business Planning process. A Strategic Risk Group which is chaired by the Corporate Director - Resources, meets to identify best practice in respect of risk management and to provide opportunities for shared learning across departments. The Audit and Accounts Committee oversees the effectiveness of risk management arrangements and provides assurance to the Council in this respect. Risk management is also built into our project management methodology.

Financial Management processes and procedures are set out in the City Council's Financial Procedure Rules and include:

- comprehensive budgeting systems on a medium term basis
- clearly defined capital and revenue expenditure guidelines
- regular reviews and reporting of financial performance against the plans for revenue expenditure
- overall cash limited budgets and a clear Scheme of Delegation defining financial management responsibilities
- regular capital monitoring reports which compare actual expenditure plus commitments to budgets
- key financial risks are highlighted in the budgeting process and are monitored through the year departmentally and corporately.
- robust core financial systems
- documented procedures are in place for business critical financial systems,
- and these are also checked on a regular basis by the Internal Audit Section.

Having a set of clearly defined priorities means that sometimes we have to make difficult decisions and adopt alternative methods of service delivery providing services which better meet the needs of our citizens or which provide better value for money.

7. Effective Management - Capacity and Capability of Members and Officers

The Council's structure gives clear accountability for the performance management of services, both within departments and corporately.

The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the

value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.

Accreditation for the East Midlands Member Development Charter is in the Business Plan for the Democratic Services Division, to be achieved by March 2010. The Council debated and passed a motion in support of that target in December 2008 and is subsequently recognised by LG-EM as 'working towards' the Charter. LG-EM will conduct a diagnostic this summer to fine tune the Action Plan in readiness for an assessment in early 2010. Personal Development Plan interviews have been conducted for over 50% of Members and those remaining will be offered dates before the end of the year. Council has nominated two Members and an Officer to be accredited Charter Assessors. A re-structure within Democratic Services has drawn together different budget headings to increase resources for Member Development.

Members of the Audit and Accounts Committee are provided with training specific to its responsibilities on an annual basis. The focus is on key governance issues such as risk management and internal control. Individual briefings are provided to Members of the Committee as and when required.

Over 100 managers have been through our Leading Manager Programme, designed and delivered in partnership with the University of Derby. The programme is delivering leadership capacity to a critical mass of our Leaders and generating a real and measurable return on investment. The programme has been featured nationally and internationally as a best practice example and was shortlisted for a Training Journal 'Best Public Service Initiative Award'.

The Council's Achievement and Development Scheme for all staff ensures performance is managed and development needs for each member of staff are identified and met. We have recognised the need to review the scheme and we have piloted a new system, which it is hoped will better meet the needs of employees as well as promoting effective performance management. We are continually looking to develop the potential of our staff and one initiative in achieving this is the creation of a "Succession Pool" for heads of service and assistant directors.

The Council have successfully achieved the Investors in People accreditation in all its departments.

8. Engaging with Local people and other stakeholders to ensure robust accountability

The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people.

Every year, together with our partners, we carry out many consultation exercises, including the community safety audit, Derby Pointer survey of a representative sample of residents, Police budget survey, the NHS patient satisfaction survey and many more. These surveys and events enable the Council and our partners to gauge understanding of our shared vision and priorities for the city. We have adopted a Community Engagement Strategy with DCP to ensure a co-coordinated approach to community engagement across partner organisations.

Our commitment to partnership working is demonstrated in our approach to Community Leadership. Following a successful pilot of neighbourhood working, the Council together with our partners is developing a citywide partnership model for neighbourhood management. Day-to-day co-ordination of service delivery has been transferred to a partner organisation – in this case, Derby Community Safety Partnership.

The neighbourhood model has four key objectives...

- Empowering local communities.
- Strengthening local democracy.
- Building more responsive public services.
- Developing integrated frontline public services.

Neighbourhood Teams are made up of a Neighbourhood Co-ordinator, a Neighbourhood Environmental Action Team (NEAT), a Police Community Support Officer, a Community Safety Officer, a Police Neighbourhood Team and a Community Engagement Officer. In addition, there is frequent input from other agencies, such as Derby Homes' Community Watch Patrol, Derbyshire Fire and Rescue Service and Central and Derby City Primary Care Trust.

To give local citizens a greater say in local decision making, we have transformed our five area panels into neighbourhood boards and forums. Every ward or neighbourhood now has a forum and board. Neighbourhood forums are open public meetings that are held at a local venue every two or three months. The forum is an opportunity for residents to find out what's happening in their area and to discuss the big issues and priorities. Residents meet with councillors and representatives from police, health, council and community safety. Neighbourhood boards are local leadership groups that agree priorities, decide where community grants are to be spent, monitor performance and decide on the vision for the neighbourhood.

Other arrangements for consultation and for gauging local views include the Derby Pointer Citizen's Panel. Your Derby magazine provides summary information on the Council's vision and priorities and is delivered to homes and businesses across Derby.

The Community Strategy is drawn up in consultation with stakeholders across the city including...

- the results of Citizens Panel consultations
- the results of surveys/consultations on other supporting strategies and plans
- stakeholder meetings and events
- advice from Government advisors and consultants.

Let's Talk Budget is our process for engaging residents and organisations interested in the budget setting process. We have used a budget-modelling tool and encourage participation in the budget setting process through our consultation and engagement framework.

Performance and progress against the Community Strategy, LAA and Corporate Plan is evaluated regularly using performance indicators on Performance Eye. Regular monitoring reports are presented to the DCP Board and there is an extensive annual review process.

9. Review of Effectiveness

Derby City Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made the external auditors and other inspection agencies.

Both in year and year end review processes have taken place. In year review mechanisms include:

- the Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- there is a well resourced Scrutiny function which holds the Cabinet to account. The Scrutiny Management Commission is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness.
- the Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members including referrals from the standards board. Their work has included reviewing the Code of Conduct for Members and preparation/training for the new requirements for dealing with investigations into Members' conduct.
- the Audit and Accounts Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met 5 times during the year receiving regular reports on governance, risk and internal control matters.
- Internal Audit is an independent and objective assurance service to the management of the City Council who complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangement. In addition, the Section undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the Audit and Accounts Committee.
- the External Auditor's Annual Audit and Inspection Letter is considered by the Audit and Accounts Committee, Cabinet and the Chief Officer Group. A number of external audits and inspections have also taken place.
- the External Auditors completed their CPA Use of Resources Key Lines of Enquiry assessment during the year and awarded the Council's internal control arrangements a score of 3 overall. The Use of Resources assessment overall retained a score of 3.
- the Change Management and Performance Unit monitor National and Key Performance Indicators on a quarterly basis and recommend improvements to the performance framework on a regular basis.

- Strategic Risk Group reviews newly identified corporate risks and ensures that actions are being taken to effectively manage the Council's highest risks. The Group met quarterly to review the effectiveness of the Council's Risk Management Framework

The review of the Council's governance arrangements and the control environment included:

- the role of the Governance Working Group in reviewing the Council's own governance arrangements against a best practice framework endorsed by CIPFA/SOLACE to identify areas for improvement.
- reviewing other external inspection reports received by the Council during the year
- validating assurances obtained by reference to documentation held and by comparing the assurances provided to an evaluation of the effectiveness of the control environment.
- the opinion of the Head of Audit and Risk Management in his annual report to Audit and Accounts Committee and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.
- consulting the Audit and Accounts Committee regarding any potential issues they felt could indicate a problem with the control environment.

10. Significant Governance Issues 2008/9

Political Control

At the local elections in May 2008 no one political party achieved an outright majority. The party with the most seats, the Liberal Democrats, chose to form the Council Cabinet. This situation of no overall control has impacted on the decision-making process of the Council, in particular the setting of the 2009/10 budget.

This situation of no overall control is set to continue in 2009/10, because 2009 is a fallow year in the City Council's local election process.

Governance Issues raised with Audit and Accounts Committee

All significant governance issues are reported to the Audit and Accounts Committee. Below are the issues reported during 2008/9:

Highways Maintenance

The performance of the Derbyroads Partnership has been regularly reported to the Audit and Accounts Committee. Members expressed concern in relation to the size of the backlog of work on repairs; the value of the works was estimated to be worth £1.3m. A Board was set up to implement improvements to the situation and the Council is now

putting a plan in place to clear the routine maintenance backlog. The action plan will be effective from July 2009 and it is estimated that it will take 12 months to sort out.

IT Security – virus

In February 2009 the Council's network was infected by the Conficker.b virus. The original infection occurred in one of the libraries, almost certainly through the use of an infected USB memory stick. This then infected one of the servers which initiated the user account attacks. The Council's anti-virus settings did detect and remove the infection, but its aggressive replication methods meant it was able to attack machines that were fully patched and protected, along with infecting machines that were not fully protected. Action was taken to ensure that:

- all computers have had the latest Microsoft and AV software updates installed and any infected PCs are immediately removed from the network.
- Increased levels of scanning have been implemented to scan all write files as well as read files. End of day scanning on all PCs on closedown has been implemented
- Auto boot/run for USB and CD drives has been disabled.

Key lessons have been learned from this breach of IT security. These include

- too many gaps in the MS patching and AV cover.
- Inventory management and accuracy was found to be lacking.
- Only Council issued and controlled USB memory sticks should be used on machines connected to the Council network and these memory sticks should not be connected to non Council devices.

Future actions to improve governance were approved by the Audit and Accounts Committee in April 2009.

Fraud/ Cash payments

The Council's cash advance payments system in payroll was the subject of fraudulent activity. Action has been taken to make sure that no opportunities exist for any further frauds to be committed:

- Payroll cash advances have been stopped completely.
- Where there is a demonstrable need to make a payroll advance this is now being done electronically via BACS transfer, utilising the controls already in place with our Financial Director system.
- Where there is a demonstrable need to make a same day payment, and these will be exceptional items, the CHAPS system will be used so that the funds are cleared in the employee' account on the day of payment.

An action plan to address some of the control/systems weaknesses was drawn up and presented to the Committee.

Non-adherence with Contract Procedure Rules

Following a presentation on the development of the Procurement Connection website to the Audit and Accounts Committee, its members raised concerns over the levels of compliance with the Council's Contract Procedure Rules. A report to the June 2008 meeting detailed 15 instances of departments not complying with the Council's

procurement rules. A formal reporting procedure to Chief Officer Group has now been introduced for all issues of non-compliance. Audit and Accounts Committee will be updated on a half yearly basis of all cases together with an explanation as to the reason for it occurring.

11. Update on Governance Issues reported in 2007/8 AGS

Progress continues to be made on significant governance issues raised in the 2007/8 annual governance statement.

Governance Issues	Progress made
Areas for improvement from Corporate Assessment	The Action Plan was reported to Chief Officer Group in July 2008 together with an update on progress. Several of the actions are now complete. A further update on progress is due to be reported to COG in July 2009.
Derwent New Deal for Communities (NDC)	Cabinet members have been regularly briefed on progress.
Risk Management	Regular updates have been taken Audit and Accounts Committee. A new electronic risk management system has been purchased which will improve reporting of risks. A fraud risk register is being compiled.
Governance Framework	The Governance Working Group has carried out a self-assessment of the Council against the 6 good governance principles. An action plan has been produced to drive forward improvements to the governance framework
Fraud Awareness	The fraud awareness training course for staff is still being developed. The aim is to run these from September 2009.
Partnerships	A Partnership Register has now been formalised with initial work undertaken on high risk partnerships. Training will be undertaken in 2009/10 for lead officers engaged in partnership activity

12. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in

section 10. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Hilary Jones
Leader of the Council

Chief Executive