	NO
~~3. Exempt Information~~	
Title	Draft Annual Governance Statement 2013/14
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Portfolio	Finance & Performance, Cllr Yvonne Johnson
For Consideration By	Audit Committee
Date to be Considered	24 June 2014
Implementation Date if Not Called In	N/A
Affected Wards	None
Area Committees	N/A
Keywords/Index	Audit Committee, Annual Governance Statement

Purpose of Report:
This report sets out the methodology for producing the Annual Governance Statement (AGS) for 2013/14 and highlights governance issues.

1. Recommendation

1.1 It is recommended that Audit Committee:

- Note the Draft AGS 2013/14.

2. Reason for Decision and Options Considered

2.1 Regulation 4 of the Accounts and Audit Regulations (2011) required audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control each year with the authority's financial statements. CIPFA confirmed that proper practice status was assigned to the AGS from 1 April 2007. This means that the AGS formally replaced the Statement of Internal Control (SIC) from the 2007/08 reporting year.

3. Key Implications

3.1 Members should note that the Chief Executive and Leader must sign the full 2013/14 AGS document, which will be published with the Statement of Accounts.

A key role of the Committee is to oversee the Authority's control environment and its associated system of internal controls and assurance processes. The Committee must satisfy itself that the Authority's assurance statements, in particular the Annual Governance Statement, properly reflect the risk environment and any actions needed to improve it.

4. Financial

4.1 The AGS will form part of the published Statement of Accounts for 2013/14

5. Legal

5.1 The Accounts and Audit Regulations 2011 refer to CIPFA guidance in relation to the "proper practice" of internal audit. CIPFA guidance is therefore utilised in guiding the compilation of the AGS. CIPFA's original proper practice required the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent) to sign the statement. This is also required by the CIPFA/SOLACE framework for the AGS.

6. Value For Money

6.1 Compliance with best practice guidance ensures that the requirements of the Accounts and Audit Regulations 2011 will be met.

7. Sustainability Impact Appraisal

7.1 Not applicable.

8. Risk Management

8.1 The preparation of the AGS has been explicitly linked to the risk management framework within the authority. One of the key principles of good governance is "taking informed, transparent decisions and effectively managing risk". Strong governance should minimise officer distraction from key corporate objectives as a result of governance failure(s).

9. Community Safety

9.1 None.

10. Links to Strategic Objectives

10.1 A strong governance framework is a key element in achieving the strategic priorities of the Council.

11. Equalities and Community Cohesion

11.1 No Equality Impact Assessment has been undertaken, as the report does not affect the general duties of the Equality Act 2010.

12. Staffing/Workforce and Accommodation implications:
12.1 None.

13. Property and Assets
13.1 None.

14. Any other implications:
14.1 None.

15. Consultation
15.1 The preparation of the AGS is an important task and as such preparation and challenge has been provided through a multi-disciplinary team. The AGS Working Group (AGSWG) is made up of the Director of Finance, Director of Legal and Democratic Services, Assistant Director of Core HR & OD, Director of Policy and Performance, Director of Business Services Group and the Head of Audit & Investigation.

The AGS was prepared in draft using a variety of sources and discussed and challenged by the AGSWG between January - June 2014 along with supporting documentation.

16. Timetable for Implementation
16.1 The final AGS will accompany the financial statements for approval by Council.

17. Appendices
- Appendix 1: Methodology for preparation of the AGS
- Appendix 2: Draft Annual Governance Statement 2013/14

18. Background Information
- Accounts and Audit (Amendment) (England) Regulations 2011.
- Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities (2012 Edition).

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Ian O'Donnell	Executive Director of Corporate Resources	10/06/14		
Helen Harris	Director of Legal & Democratic Services	02/06/14		
Maria Christofi	Director of Finance (Deputy s151 Officer)	02/06/14		
Steve Tinkler	Head of Audit & Investigation	02/06/14		
David Veale	Assistant Director HR & OD	02/06/14		
Mark Newton	Director Business Services Group	02/06/14		
Mathew Booth	Director Policy & Performance	02/06/14		

Report History

Decision type:	Urgency item?
For information	No

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:

Report no.:	Report author and contact for queries:
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THE ANNUAL GOVERNANCE STATEMENT
OVERVIEW & METHODOLOGY

1. The Annual Governance Statement (AGS) is a key corporate document. It states whether the Governance arrangements in the organisation are effective and that any of areas of concern have been identified.

2. As a corporate document the AGS should be owned by all senior officers and members of the authority and an action plan put in place to address the areas of concern identified.

3. The most senior officer and the most senior member have joint responsibility for the accuracy and completeness of the AGS.

4. The AGS should be approved at a meeting of the authority or delegated committee.

5. Risk management should feature strongly in the AGS process. It should support the co-ordinating role of the corporate group by advising on risks to achieving corporate objectives and statutory requirements, which are set out in corporate, directorate and departmental risk registers, and how they are managed.

6. The Head of Internal Audit should provide a written annual report to those charged with governance timed to support the AGS.

7. A diagrammatical representation of the sources of assurance and the methodology in place to formulate the AGS is attached.

8. Significant issues for 2013/14 are circulated to the Annual Governance Statement working group for discussion. These issues are identified from

   - Press releases
   - Senior officer concerns
   - Internal audit reports
   - Reports from external agencies
   - Risk Registers
   - Letters of Representation

Framework - Key documents/process guidelines
- Performance management
- Business strategy and planning process
- Budget and budgetary control
- Code of corporate governance
- Project management/ Risk Management / counter Fraud Policy
- Ethical Governance
- Policies, procedures, codes of conduct
- Partnership protocol

Annual Governance Statement

Approval by Committee or by members of body meeting as a whole

Authority & Directorate Policies, Business Plans and Risk Registers

AGS Working group is responsible for drafting AGS evaluate assurances and supporting evidence

Performance Management	**Assurances by managers**	**Risk Management**	**Financial assurance**	**Other sources of assurance**	**Review of the effectiveness of the system of Internal Audit**	**Internal Audit**	**External Audit**
• Embedded system • Operates throughout organisation • Internal & external reviews • Action orientated • National/local KPIs • Periodic progress reports	• Annual management assurances • Periodic reports • Cascaded through all employees • Control & risk self-assessment questionnaires	• Risk Management Group reports • Embedded in policies & planning • Effectiveness evaluated • Annual questionnaire • Diagnostic survey • Cascaded through all employees • Results analysed by RMG and/or IA	• S151 assurance • Treasury Management • Group Accounts report	• Monitoring Officer's report • Fraud reports and investigations • Reports by Inspectors • Best Value reports • Post Implementation reviews of projects • Working Party reports • Efficiency statements	• CIPFA Code compliance assessment • Client and Management opinion • External audit opinion • Effectiveness of Audit Committee	• Charter and Strategy • Approved risk-based plans • Periodic & annual reports to audit committee, including Head of Internal Audit's opinion	• Annual Plan • Management letter • Audit Opinion • Use of Resources • Ad hoc Projects • Departmental governance

Provide assurance on adequacy and effectiveness of controls over key risks

Annual Governance Statement 2013/14

1. Scope of Responsibility

1.1 Ealing 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.

1.2 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, and which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a Code of Corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be located on Ealing Council's Internet website att:http://www.ealing.gov.uk/downloads/download/921/council_constitution_part_5-codes_and_protocols, or can be obtained from the Monitoring Officer.

1.4 This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the approval of the Annual Governance Statement.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the authority 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.

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 not fully achieving policies, aims and objectives and therefore provides a reasonable rather than 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.

2.3 The governance framework has been in place at Ealing Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

Creating and Implementing a Vision for the Local Area

2.4 Ealing Council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The administration's five priorities form the basis of the Corporate Plan and Business Plans and provide focus for improvement:

- making the borough safer
- improving public services
- securing jobs and homes
- making the borough cleaner
- delivering value for money

All Cabinet and Committee reports are required to be referenced to one or more of these five priorities. The Corporate Plan and any amendments or updates to it are considered and approved by full council.

Roles and Responsibilities of Members and Officers

2.5 A Scheme of Delegation sets out the powers delegated to officers, at part 8 of the constitution. The Financial Regulations and the Budget and Policy Framework Rules are also part of the Constitution, together with the Code of Corporate Governance. The Contract Procedure Rules also form part of the Constitution.

2.6 The Code of Conduct for Councillors is contained within the Constitution. This was revised to take account of the requirements of the Localism Act 2011. All councilors receive training on the implications of the Code of Conduct and related issues. The Council also has a Planning Code of Conduct and a Licensing Code of Conduct for members. Both of these codes were revised during 2012. Again, training is provided (and compulsory) for all members working in these areas.

2.7 The Employees Code of Conduct is also contained within the Constitution and a copy of this is provided to all new employees when they start work for the council.

2.8 The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met. Any urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to full council. All Cabinet and Committee reports which have significant financial or legal implications must be "signed off" by a finance and a legal services officer, as well as by the responsible service director, before they are accepted onto a meeting agenda. Where draft reports fail to address key requirements they are either amended or rejected and removed from the agenda as part of the approval process. Both reports and minutes of all decisions taken are published on the internet, including the reason for the decision. Procedures were also amended during 2012 to take account of new statutory requirements.

2.9   The Council has a Regulatory Committee that oversees the regulatory functions of the Council such as those concerning elections and planning. In some cases, like planning and licensing, specific committees have been appointed to consider these matters in more detail.

Standards of Conduct and Behaviour

2.10   Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieve this:

2.11   All Members' and Chief Officers are required to complete an annual statement relating to third party transactions and a register of Members' interests, which is updated by Members', is maintained and published on the Council's web site.

2.12   The Councillor Code of Conduct defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register.

2.13   In addition the following Codes, protocols and systems are well established within the Council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government. These include:

- A Declaration of Interest process for members and senior officers as described above;

- Rules and protocols are in place and are being further developed for all partnership working.

- Organisation-wide performance appraisal and employee development schemes are in operation;

- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;

- Whistle-blowing, anti-fraud and anti-corruption policies are in place and publicised In compliance with the national transparency agenda, senior officers' remuneration is published on the Council Website.

Decision Making, Scrutiny and Risk Management

2.14   Good governance means taking informed and transparent decisions that are effectively scrutinised and which manage risk. The following describes how the Council achieves this:

2.15   The Leader and Cabinet are responsible both individually and collectively for all executive decisions. Operational matters requiring a decision are delegated to Council officers as outlined in Part 3 the Constitution – 'Responsibility for Functions'.

2.16   All forthcoming Key decisions by the Cabinet are published in the Cabinet's Forward Plan and republished every month on the Council's web site.

2.17   Reports and minutes of meetings are also published on the Council's web site. This also includes delegated decisions made by individual Cabinet Members and urgent decisions. Such delegated decisions are reported to the next formal meeting of the Cabinet.

2.18   The Council has an Audit Committee with clear terms of reference and annual work programme for Internal Audit and Risk Management.

2.19   The Council maintains an Internal Audit and Risk Management service that operates in accordance with the published Internal Audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

2.20   An embedded Risk Management Policy is in place, with each department maintaining a departmental risk register. All major projects undertaken are required to have risk registers.

2.21   All critical services have business continuity plans and have been asked to undertake service level exercises to test these. A Business Recovery Team exercise will be undertaken in July 2014 to test the Corporate Business Continuity plan and our response to an internal disruption. A pan London emergency exercise will be undertaken in May 2014 and November 2014 with the aim to test the integration of Command, Control and Coordination across London. A multi – agency influenza pandemic exercise is being developed in line with the Ealing Resilience Forum business plan and a live survivor reception centre exercise will be undertaken in March 2015. All exercises and training produce action plans from the lessons learnt that are built into work programme to further enhance our resilience. Alongside this training and exercising continues throughout for all emergency and business continuity council responders.

2.22   The Minimum Standards for London Tranche 1 and 2 have been adopted as the guide to measure emergency planning and business continuity arrangements. These arrangements have been implemented and have been assessed via a peer review. A borough wide risk assessment has been undertaken and used to produce a Community Risk Register that identifies the key risks for the borough. This is used to prioritise the work of the Ealing Resilience Forum.

2.23   The Council has a three year Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. The financial management framework includes regular budget monitoring reports to Financial Strategy Group, Departmental Management Teams, Corporate Board and Cabinet.

2.24   The budgeting process requires departments to submit budget proposals that are aligned to the Council's objectives, and which are based on a required savings

target. Through the year Cabinet Members receive a monthly Finance Monitor; this shows the financial position for each department and what is being done to address potential overspends as well as a Savings Tracker that monitors the delivery of agreed savings. In addition a quarterly finance and budget update report is produced for Cabinet.

Developing Capacity & Capacity of Members and Officers

2.25 Good governance means developing the capacity and capability of members and Officers to be effective. The following describes how the Council achieves this:

2.26 A full Member training and development programme is in place and there is a comprehensive induction programme for all councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory and all Councillors have now completed the training. The Council has adopted specific Codes of Conduct for councillors involved in planning or licensing decision-making and these councillors receive additional training in these areas as a precondition of their participation.

2.27 There is a corporate induction programme most of which is e-learning based place for staff and one for new managers, supplemented by various internal training courses, a meeting with the Chief Executive and borough coach tour. Key information and policies are highlighted to new staff and managers and held on the intranet.

Engaging with Local People and Stakeholders

2.28 The Council contributes to the delivery of the Local Strategic Partnership's Community Strategy that sets out a vision for the borough of Ealing over the next 10 years. The Council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership's (LSP) Community Strategy. The Council is therefore better able to relate its own performance to the outcomes it seeks for the borough. This also facilitates greater alignment of priorities between the Council and other key partners and service delivery agencies, such as NHS Ealing and the Police.

2.29 The Council includes a definition of a partnership within its Constitution to ensure alignment to the Audit Commission's definition and to recognise operational realities. Work has been undertaken to identify and assess key partners and ensure that robust protocols are in place for partnership working. In conjunction with performance, legal and procurement a list of significant partners has been agreed. Evidence has been gathered to support good governance arrangements for these significant contractors. Assurance is gained through the Contracts Review Board and internal audit reviews.

2.30 Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the Council's Corporate Plan and LSP's Community Strategy. Regard to equality, diversity and human rights duties are embedded in the budget setting and business planning process, and templates for each require that officers and Members take into consideration in an appropriate manner the equality, diversity and human rights impacts of proposed decisions. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management. The Corporate Board take regular updates on progress and developments in relation to

implementation of the Equality Act, and the Cabinet report process and proforma have been amended to ensure that Service Directors sign off on service-related Equality Assessments before Cabinet pre-agenda, and that salient points from Equality Assessments carried out on Cabinet reports are included in the body of the Cabinet reports. Proposals that impact on staffing/workforce are signed off by HR Business Partners before submission to cabinet or action.

3.   Review of Effectiveness

3.1   The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

3.2   The Council's review of the effectiveness of its system of internal control is informed by:
- The review of Internal Audit by External Audit on the extent to which they place reliance on key financial systems work done by Internal Audit;
- A review of the effectiveness of its system of internal audit;
- Performance against targets;
- Annual Assurance Statement;
- Customer quality assurance questionnaires; and
- A review of the previous year's AGS.

3.3   The review of the effectiveness of the Council's governance framework is informed by the work of the Executive Directors who have responsibility for the development and maintenance of the governance framework, the Head of Audit and Investigation's annual report, comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Working Group (AGSWG) considers these sources of information and formulates the Annual Governance Statement.

3.4   The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the Annual Governance Statement and relevant supporting evidence. The AGSWG meets on a regular basis during the year to ensure compliance with the corporate timetable. The draft Annual Governance Statement is reviewed by the AGSWG to ensure early robust challenge. The AGSWG also undertook a review of the 2012/13 AGS, in particular the disposition of the significant governance issues identified. The key evidence to support the review of effectiveness is outlined below:

3.5   **Planning** – The Policy and Performance Directorate drives delivery of the Corporate Plan, working closely with Directorates to spread best practice, track and strengthen performance. The Directorate also ensures that performance statements and other published information are accurate and reliable.

3.6   **Performance Management** - The Policy Team and Improvement and Efficiency Service work with all directorates and other specialist areas such as Legal, Strategic Procurement and Finance to ensure the economical, effective and efficient use of resources. The teams play a key role in supporting delivery of projects and initiatives within the Council's Value for Money programme. They also help drive continuous improvement in the way in which functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness. In addition to managing delivery of the Value for Money

programme (reported to VFM Board and Corporate Board), the teams also deliver targeted service improvement support.

3.7 Council projects are run in line with a project control framework that defines the mandated control processes needed. Within this framework, individual departments develop their own detailed processes that reflect their different needs, risk profile and working practices. The key governance control is that each project in the Council reports into an appropriate project board or managerial group. Large projects usually have their own project board, but most large initiatives usually report to departmental level boards at Executive Director level. Smaller projects, report to Project Boards chaired in line with delegated authority levels.

3.8 The Council continues to implement an extensive efficiency/value for money programme to improve services and identify significant on-going savings in both the current and future years. This is achieved through financial management and budget proposal scrutiny, including on-going line-by-line analysis of individual budgets.

3.9 The Performance Monitor reviewed monthly at Corporate Board sets out analysis of performance against key targets and Corporate Plan commitments. A copy is also distributed to Cabinet Members. Directorate, Divisional and Service unit business plans contain a variety of performance indicators and targets. A regular review is also done to ensure that systems, processes and controls are in place to ensure the efficient and effective delivery of high-quality services and to ensure that performance information is accurate and reliable.

3.10 Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on Performance each quarter. Portfolio holders have weekly meetings with Executive Directors and review finance and performance indicators each month.

3.11 **The Cabinet** - The Council operates a Leader and Cabinet model of Local Government. Cabinet has eight members; each member has a specific area of responsibility known as a 'portfolio' and is accountable for the Council's decision-making process. Cabinet carries out all the Local Authority's functions which are not the responsibility of any other part of the Local Authority.

3.12 **Shadow Cabinet** - There is a Shadow Cabinet comprising members of the largest opposition party. The Cabinet has access to all relevant documents and officer advice and its proceedings shall take place in accordance with the Access to Information Procedure Rules in part 4 of the Council's Constitution.

3.13 **Regulatory Committee –** To take an overview of regulatory functions such as development control, licensing, parliamentary proceedings, election, registration and inspection of homes and Member training. To exercise any Cabinet function referred to it.

3.14 **Overview and Scrutiny Committee** - There is a respected active scrutiny function managed by the Overview and Scrutiny Committee (OSC) to discharge

the functions conferred by section 21 of the Local Government Act 2000. Scrutiny committees oversee and scrutinise the decisions made by the Cabinet and Cabinet members under delegated powers.

3.15 **The Standards Committee** - The Standards Committee has six members, including an independent (non-voting) chair. In line with regulatory requirements, the Committee is supported by two independent people. The Committee reviews and oversees member development and the Council's Whistle Blowing Policy. The Committee also deals with matters of member conduct, including complaints. The committee submits an annual report on its work to full Council. The Council's standards arrangements were revised in 2012 to take account of changes to be introduced as a result of the Localism Act 2011.

3.16 **The Audit Committee** - The Council has an Audit Committee that provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Committee.

3.17 The Audit Committee met regularly during 2013-14, considering reports, including the annual Internal Audit Report, from the Head of Audit & Investigation and the External Auditor.

3.18 The remit of the Audit Committee is to:
- provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and
- oversee the financial reporting process.

3.19 The Audit Committee also reviews Internal Audit performance against targets and quality assurance results. Since its inauguration, the Committee has worked in tandem with the Ealing Council Audit Board ("the Audit Board"). The results are reported formally to the Committee's meeting and to Council.

3.20 The Audit Board was established in 2005 and comprises of senior officers. The Audit Board meets quarterly and seeks to strengthen the assurance framework of the Council. Internal Audit and Investigation provides progress reports on internal control and counter fraud to the Audit Board. Officers are also held to account by the Audit Board through the use of challenge sessions to focus on any areas of weakness or non-compliance. Audit Board also reviews the effectiveness of the risk management framework and the profile of the Council's strategic risks.

3.21 **Statutory Officers** - The Constitution sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. The Constitution comprises eight parts which set out the basic rules governing the Council's business, as well as detailed procedures and codes of practice.

3.22 The Council's Constitution is regularly reviewed by the Monitoring Officer and any change proposals are considered by the Constitutional Review Group (an informal group of senior councillors) and advertised on the web prior to adoption

by full council on the basis of a full report. The Constitution sets out the responsibilities of both members and officers. In particular the Council has identified the following five statutory posts:

- Head of Paid Service - Chief Executive
- Chief Financial (Section 151) Officer – Executive Director, Corporate Resources
- Monitoring Officer – Director of Legal and Democratic Services
- Director of Children's Services – Executive Director, Children and Adults
- Director of Adult Social Services – Executive Director, Children and Adults

3.23 **Management** - Each Executive Director has provided a self-assurance statement in respect of 2013/14, supported by assurances from their direct reports that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.

3.24 All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. The Monitoring Officer and the Legal Services Team monitor compliance with, and awareness of, key laws and regulations. Executive Directors, Directors and Service Heads are responsible for monitoring implementation of the Council's policies.

3.25 One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of Annual Assurance Statement by senior officers. The Statement noted that for the year ended 31 March 2014, senior officers were aware of their responsibilities and had complied with the Council's policies and procedures. In particular they stated that the internal controls for the area under their responsibility were sufficient to provide reasonable assurance of effective financial and operational control. They also stated that their review of the operation of the system of internal control confirmed that it had been working effectively and had been complied with in all material respects. The letter of representation process in no way absolved officers of their responsibility to continue addressing issues noted.

3.26 Executive Directors were asked to compile their Statement after reviewing the statements from their direct reports. Direct reports were asked to compile their letter after taking assurance from their senior management teams.

3.27 **Internal Audit** - The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Audit & Investigation to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

3.28 The Head of Audit & Investigation provided his annual report to the Audit Committee on 24 June 2014. This report outlined the key findings of the audit work undertaken during 2013-14 including areas of significant weakness in the internal control environment.

3.29 An assurance scoring mechanism is used to reflect the effectiveness of the Council's internal control environment. The table below details the four levels of assurance.

Level	Definition
Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
None	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

3.30 It is the opinion of the Head of Internal Audit that, taking into account all available evidence, there is substantial assurance over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2013-14.

3.31 **Review of Internal Audit** - The External Auditor has expressed satisfaction that Internal Audit is compliant with the Code of Practice for Internal Audit in Local Government, and the recently introduced Public Sector Internal Audit Standards.

3.32 **External Audit** - KPMG LLP is currently the Council's appointed External Auditor. As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources. In its Annual Audit letter for 2013/14 KPMG stated that the Council had proper arrangements for securing financial resilience and for challenging how the economy, effectiveness and efficiency of the use of resources is secured.

3.33 **Risk Management** - The Council managed its risks during 2013-14 in accordance with the approved Risk Management Policy. Corporate Board formally considered risk on a quarterly basis. Quarterly Risk Management reports were also submitted to Audit Committee.

3.34 The indicative Internal Audit Plan for 2013-14 presented to the Audit Committee in March February 2013 is chiefly based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2013-14.

3.35 **Developing Capacity** – The Council has operated procedures during the period covered by this Statement to ensure training needs of staff are assessed against core competencies and any key training needs met. Additionally the Council has provided or is in the process of providing appropriate training to councillors to enable them to effectively fulfil their duties as councillors of the Council.

3.36 **Engagement** - Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service. A residents' survey is currently undertaken biannually.

4. Significant Governance Issues 2013/14

Based on the Council's established risk management approach, the issues detailed below have been assessed as being significant for the purpose of the 2013 -14 Annual Governance Statement. We will over the coming year take appropriate steps to address these matters and 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.

Table 1 2013-14 Governance Issues			
Issue	**Actions**	**Officer Responsible**	**Timescale**
1. Environmental Services Contract Poor Performance of the Environmental Service Contract results in a negative impact on Council finances and reputation.	Deterioration of some areas of the contract led to the Council serving an Improvement Notice on Enterprise (now Amey) in July 2013 that resulted in the requirements for an Improvement Plan [IP] to be prepared by Amey and to be submitted for the Council's review and approval. This was subsequently done, the IP was approved and is in the implementation phase [from February 2014] and will continue throughout 2014. The IP is being monitored by the Council any subsequent service performance issues will be managed accordingly through the various mechanism of the contract.	Director of Environment and Leisure	Ongoing throughout 2014/15
2. Emergency Accommodation The Benefit Cap increases the numbers of homeless households and thus those in emergency accommodation.	A Strategy has been developed the key elements of which is the additional acquisition of affordable direct lettings/hostel accommodation and a Private Sector Allocation Policy to prioritise movement of non-self-contained B&B for families in Bed & Breakfast accommodation of 6 weeks or over.	Executive Director of Regeneration & Housing	Ongoing to 2017

Table 1 2013-14 Governance Issues			
Issue	**Actions**	**Officer Responsible**	**Timescale**
3. Budget Savings Spending Review results in reduced government funding and a negative impact on the Council's income and Budget.	The Council continues to maintain a robust system of service planning to manage the ongoing reductions in public sector spend. The economic climate continues to be challenging and therefore these plans will be subject to ongoing review.	All EDG for Service delivery	Throughout next 3 years

Signed …………………..

Chief Executive – Ealing Council
Martin Smith
August 2014

Signed …………………………..

Leader of the Council
Cllr. Julian Bell
August 2014

Signed…………………….

Executive Director Corporate Resources
Ian O'Donnell
August 2014