

**REPORT FOR DECISION**

Agenda Item	
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**MEETING:** Audit Committee

**DATE:** 19<sup>th</sup> September 2007

**SUBJECT:** Review of Governance Statement / Statement on Internal Control

**REPORT FROM:** Head of Strategic Finance

**CONTACT OFFICER:** Stephen Kenyon

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**TYPE OF DECISION:** NON KEY DECISION

**FREEDOM OF INFORMATION/  
STATUS:** For Publication

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**SUMMARY:**

This report presents Members with an update on issues relevant to the 2006/07 Governance / Statement on Internal Control (approved June 2007).

**OPTIONS AND RECOMMENDED OPTION (with reasons):**

Members are requested to note the contents of the report.

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**IMPLICATIONS -**

**Corporate Aims/Policy Framework:**

Do the proposals accord with the Policy Framework?  Yes No

**Financial Implications and Risk Considerations**

The Governance Statement / Statement on Internal Control is a fundamental document for recording, monitoring, and communicating the state of internal control within the Council. Failure to prepare an effective Statement, and failure to update on a regular basis presents a significant risk.

**Statement by Director of Finance and E-Government:**

Publication of the Governance Statement / Statement on Internal Control is a requirement of the Accounts and Audit Regulations 2003

(amended 2006).

**Equality/Diversity implications** Yes  No   
**Considered by Monitoring Officer:** Yes  No   
**Are there any legal implications?** Yes  No   
**Staffing/ICT/Property:** No  
**Wards Affected:** No  
**Scrutiny Interest:** Potential input to Statement updates

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**TRACKING/PROCESS**

**DIRECTOR:** Finance & eGovernment

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Scrutiny Commission	Executive	Audit Committee	Council
		19/9/07	

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**1.0 Purpose of the Governance Statement / Statement on Internal Control**

- 1.1 The purpose of the Governance Statement / Statement of Internal Control (SIC) is to provide a continuous review of the effectiveness of an organisation's internal control and risk management systems, so as to give an assurance on their effectiveness.
- 1.2 The process of preparing a SIC adds value to the corporate governance and internal control framework of an organisation.
- 1.3 Specifically, the Council's latest Use of Resources Judgement (November 2006) states;
- "The Authority needs to strengthen the assurance framework and ensure that the review of the SIC becomes a regular quarterly process"*
- 1.4 The 2006/07 Statement was approved by Audit Committee in June 2007.
- 1.5 This report follows up specific actions highlighted within the Statement, details the continuous monitoring that takes place, and highlights any relevant issues.

## 2.0 Issues

### 2.1 Review of Corporate Priorities

Each year since 2000 Bury MBC has held an Annual Forward Planning Event; and since 2005 partner representatives from the Team Bury Local Strategic Partnership have taken part in the Team Bury Annual Forward Planning Event. The Annual Forward Planning Event is now central to both the Council and Team Bury's planning, priority setting and performance management cycle and has a number of functions these are:

- Taking stock of the socio-economic and environmental factors faced by Team Bury in the medium term that will impact on the achievement of Team Bury ambitions and priorities stated in the Community Strategy and associated action plans;
- Reviewing progress against the previous year's priorities and
- Confirming both the Council's and Team Bury's priorities for the medium term in furtherance of Team Bury Ambitions as set out in the Community Strategy

This year's Annual Strategic Forward Planning Event took place on 17 and 18 July 2007 at Warwick University.

#### ***Programme overview:***

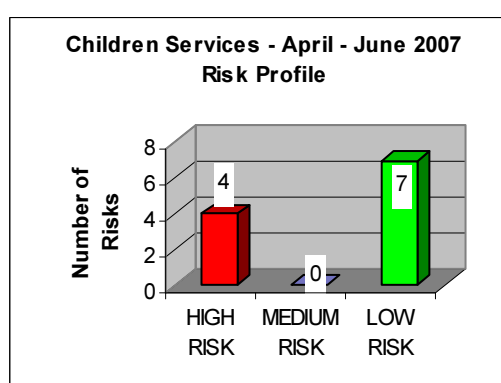
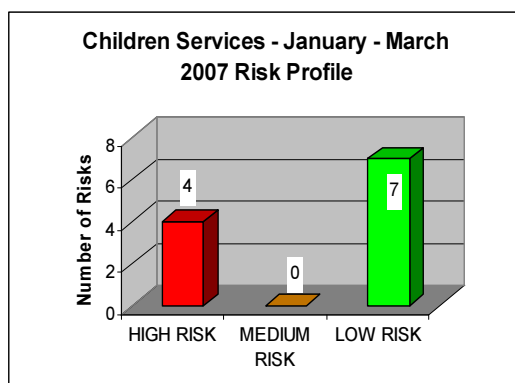
- Review of progress against Forward Planning Event priorities set in 2006,
- Consideration of challenges and opportunities faced by the Council and Team Bury, under the headings of the LAA: Safer Stronger Communities; Children & Young People; Healthier Communities & Older People and Economic Development, Enterprise & Environment
- Focus on medium term priorities,
- Use of resources to achieve Council and Team Bury priorities in most efficient and effective manner

### 2.2 Risk Management

Arrangements to revise Risk Registers at both Departmental and Corporate level are now firmly in place, and reviews have taken place each quarter for over 12 months.

The tables below summarise movement in risks since 1<sup>st</sup> April this year.

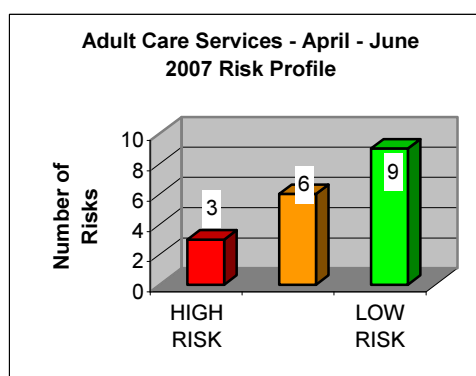
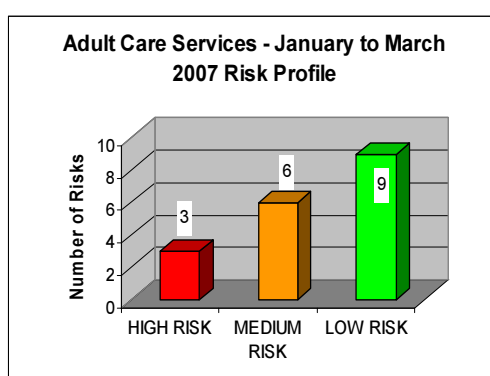
#### **Childrens Services**



There has been no movement to the overall risk profile; high risks are detailed in the table below.

Risk Reference	Risk Event	Impact	Likelihood	Residual Score	Action
005	Human Resource & Workforce Development	2	4	8	Controlled
005A	Single Status / Equal Pay	4	4	16	Modified
001	Developing a Children's Trust	2	4	8	Controlled
013	Assessment and Inspection	3	3	9	Controlled

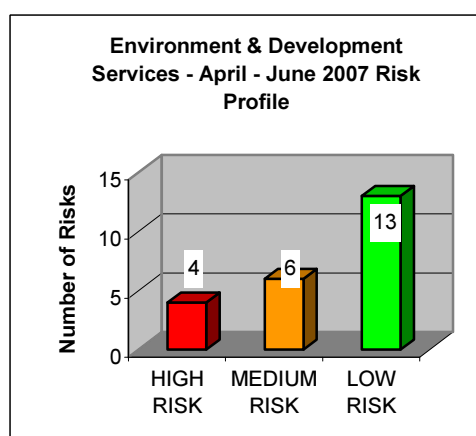
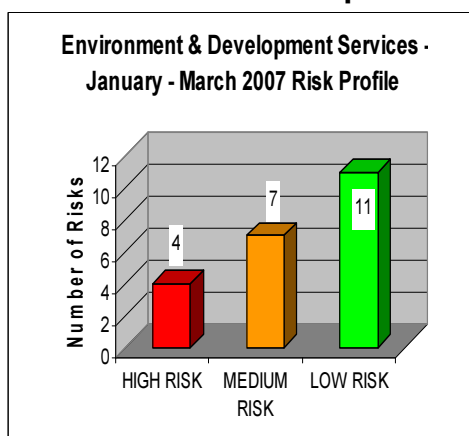
### Adult Care Services



The number of high risks remain the same, but it is important to note that references 005 and 006 have both increased to the maximum highest risk score.

Risk Reference	Risk Event	Impact	Likelihood	Residual Score	Action
5	Base budget does not meet existing demand	4	4	16	Controlled / Modified
6	Future years budget does not meet demand	4	4	16	Controlled / Modified
9	Single Status Pay	3	3	9	Modified

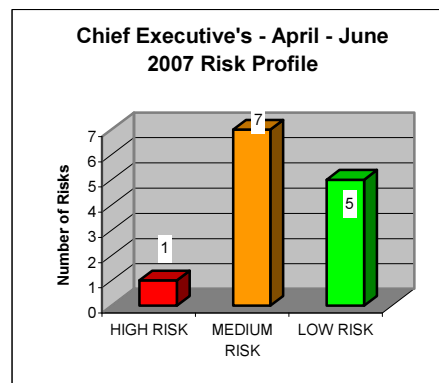
### Environment & Development Services



There has been no change in the number of recorded high risks from the previous quarter, however risk reference 002 has increased to the highest risk score.

Risk Reference	Risk Event	Impact	Likelihood	Residual Score	Action
002	Unable to resource Control Rooms	4	4	16	Reported
020	Pimhole re-development under resourced	4	3	12	Modify
021	Travellers Site - Grant not available for new site from RHB - unable to proceed with relocation. Human rights issues of site residents. Decision to close site.	4	4	16	Report
022	Pay & Grading Review	3	3	9	Accepted

### Chief Executive's



There has been not change in the number of recorded high risks from the previous quarter, with the Pay & Grading Review remaining the highest perceived risk.

Risk Reference	Risk Event	Impact	Likelihood	Residual Score	Action
005	Pay & Grading Review	4	4	16	Reported

### Partnership Risk

The Council hosted a workshop in July 2007 with lead contact officers of the Primary Care Trust, Police and Fire Service to:

- Further develop a risk register for the Public Services Board.
- Discuss the need for an alignment of Risk Management methodologies with respect to partnership working
- Develop shared "Partnership Risk Registers" operating within a common framework.

The Partnership Code of Practice was originally issued in March 2007 for use internally and is now available for use externally by all partnership types

The Council has developed a comprehensive partnership risk checklist to cover strategic and operational activities.

A top level profile of the LSP Thematic Groups has been compiled to better understand the type of partnership arrangements in place at this strategic level.

### Corporate Risk Register

The Corporate Risk Register records the Council's highest risks, and is also revised quarterly taking into account the findings of Departmental Risk Reviews, and the views of Management Board and Elected Members (via Corporate Risk Management Group)

The register as at 30<sup>th</sup> June 2007 is presented below and will be updated again at the end of September 2007.

CORPORATE RAAP REGISTER - FOLLOWING DS RAAP REVIEW PERIOD APR - JUN 2007

Reference	Risk Event Category	Risk Event	Impact (New)	Likelihood (New)	Residual Risk Score	Target Risk Score	Rank	Action Taken
1	Budgets	Budget is unsustainable and inadequate to support the achievement of the Council's Priorities and Ambitions	3	1	3	3	M	Controlled
2	Performance	Performance levels reduce as measured by CPA / JAR performance management systems	3	2	6	3	M	Accepted
3	HumanResource	Absenteeism levels are unacceptably high (as measured by BVPI targets)	3	2	6	3	M	Accepted
4	Technologies	ICT systems are inadequate to facilitate change agenda or to allow the achievement of efficiency targets	2	1	2	2	L	Accepted
5	Partnerships	Failure to establish clear, appropriate and effective governance arrangement for all partnerships	3	1	3	3	L	Accepted
6	OrganisationalChange	Structures and / or resources within Children Services are not met	3	1	3	3	L	Controlled
7	HumanResource	Arrangements for workforce development do not support the provision of a 'Fit for Purpose' workforce	3	1	3	3	L	Accepted
8	OrganisationalChange	Uncontrolled demands for Social Care out-strip the available resources and capacity	2	3	6	2	M	Accepted
9	Performance	Disaster Management policies practices and manuals are ineffective	2	3	6	2	M	Accepted
10	Assets	Back-log against the Maintenance Programme	3	2	6	3	M	Controlled
11	CommunitySafety	Relocation of Travellers Site	2	2	4	2	L	Accepted
12	Budgets	Conduct Pay & Grading Review in line with NUC pay agreement 04/07	4	4	16	4	H	Controlled
13	OrganisationalChange	Transfer of DLO to 6 Town Housing	3	3	9	3	H	Accepted
14	Transport	Transportation Innovation Fund - Congestion Charging	2	3	6	2	M	Accepted

### 2.3 Work of Internal Audit

The Internal Audit section operates according to a risk based Audit Plan.

During the current year to date, the section has examined the following fundamental financial systems;

- Cash & Bank Reconciliation
- Creditors / Accounts Payable

- Debtors / Accounts Receivable
- Housing Benefits
- Treasury Management (Investments & Borrowing)
- Main Accounting System
- Payroll

The section now produces reports which rank recommendations according to urgency / priority.

The highest category (RED) is for those recommendations where it is perceived control weaknesses warrant comment in the Governance Statement.

To date, only one recommendation has fallen into this category; out of a total of 113 recommendations made.

*Feeder Systems to the Main Accounting System (2173/07):*

*“Investigations should be undertaken to ascertain why the CONFIRM system is producing erroneous data for the Agresso interface. Also reasons why the figures in the interface file do not agree to those posted into Agresso need to be established. In addition all data transferred to Agresso will need to be examined to ensure it is accurate.”*

This recommendation is being addressed by the Head of Financial Management, and staff within Environment & Development Services.

During the year to date, the section has undertaken 14 preventative fraud exercises under the NFI / data matching initiative.

#### 2.4 Reconciliations

Reconciliations were highlighted as an area for concern in the audit of the 2005/06 accounts, and improved procedures were outlined in the 2006/07 Governance Statement.

Continuous monitoring confirms that core reconciliations in respect of Bank, Accounts Payable, Accounts Receivable, and Payroll have been performed on a monthly basis throughout the financial year. This work is evidenced, monitored, and “signed off” by Senior Management.

#### 2.5 Provisions

Bad Debt provisions in respect of Council Tax and NDR have been reviewed. Further work is taking place to review the appropriate level of provision in respect of Sundry Debts.

#### 2.6 Employees in Higher Earnings Bands

The Council’s External Auditors requested that future declarations of employees in higher earnings bands should include “benefits in kind”. This has been actioned in preparing the 2006/07 accounts.

## 2.7 Budget Monitoring

The forecast position, based upon month 3 figures is as follows (with underspends shown in brackets):

	£m
Adult Care Services	1.334
Children's Services	(0.123)
E&DS	0.433
Chief Executive's	(0.150)
Housing General Fund	0.072
Non-service specific	(0.973)
<b>TOTAL PROJECTED OVERSPENDING</b>	<b>0.593</b>

The projected overspend of **£0.593m** represents approximately **0.48%** of the total net budget of £124million (full report elsewhere on this Agenda).

This relates primarily to Adult Care Services, which was flagged as a budget pressure in the 2006/07 Governance Statement.

As Members will be aware, financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will resolve itself before the end of the year following appropriate budget management action.

If the forecast overspend prevailed, it could be accommodated within General Fund balances, without breaching the Council's "Golden Rules", and is not seen as a major risk to the achievement of the Authority's ambitions and priorities.

The situation will continue to be closely monitored throughout the year.

## 2.8 Scrutiny Commissions

The work of Scrutiny Commissions is an important part of the control / performance management framework.

A challenging work programme has been set for the year ahead, and the table below illustrates work done, and work planned.

Results of reviews will be incorporated into the Governance Statement where appropriate.

Work to date;

- Disability Services – Best Value Review
- Corporate Complaints Handling Review
- Review of Housing Management Costs
- Assessment of Alternative Service Delivery Models
- Revenue Outturn Report
- Capital Outturn Report
- Civic Halls – Best Value Review
- Use of Resources Action Plan



- Quarterly Budget Monitoring & Performance
- Asset Management Plan
- Treasury Management Annual Report

Work Planned;

- Homelessness – Best Value Action Plan
- CPA Self Assessment
- Assessment of Alternative Service Delivery Models (update)
- Disabled Facilities Grants – Best Value Review
- Medium Term Financial Strategy
- Housing & Council Tax Benefit – Best Value Review
- Quarterly Budget Monitoring & Performance Report
- Review of Housing Management Costs – Update
- Disability Services – Update
- 2008/09 Budget
- Corporate Complaints – Update
- Integrated Social Needs Transport (KPMG)

## 2.9 Local Pay Agreement

Work is progressing well to develop a Local Pay Agreement.

The Council has a clear timetable outlining stages in the process, and this is currently on schedule.

All Job Evaluations have been completed, and the results are in the process of being moderated.

It is envisaged that a draft pay structure will be available in November 2007, and this will be finalised (after appeals) ready for implementation April 2008.

Management Board oversee the project directly, using 4 weekly progress reports.

These are also made available to the Council's External Auditors.

## 3.0 **Conclusion**

This report gives an assurance, and provides evidence that the Council reviews its internal control / governance mechanisms on a continuous basis.

No significant control weaknesses have been identified in the year to date

The control environment will continue to be monitored throughout the year, and Audit Committee will continue to receive updates on a quarterly basis.

### **List of Background Papers:-**

Risk Registers  
Internal Audit Reports

### **Contact Details:-**

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