

REPORT FOR DECISION

Agenda Item	
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MEETING: Audit Committee

DATE: 11th December 2007

SUBJECT: Review of Governance Statement / Statement on Internal Control

REPORT FROM: Head of Strategic Finance

CONTACT OFFICER: Stephen Kenyon

TYPE OF DECISION: NON KEY DECISION

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

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.

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

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

TRACKING/PROCESS

DIRECTOR: Finance & eGovernment

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Scrutiny Commission	Executive	Audit Committee	Council
		11/12/07	

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 There is a mandatory requirement to produce a Governance Statement for inclusion in the 2007/08 Statement of Accounts. The Council addressed this issue 12 months early in the 2006/07 accounts (approved by Audit Committee 19th September 2007).
- 1.3 The process of preparing a Governance Statement adds value to the corporate governance and internal control framework of an organisation.
- 1.4 Specifically, the Council's 2006 Use of Resources Judgement states;
- "The Authority needs to strengthen the assurance framework and ensure that the review of the SIC becomes a regular quarterly process"*
- 1.5 This report follows up specific actions highlighted within the Statement, details the continuous monitoring that takes place, and highlights any relevant issues.

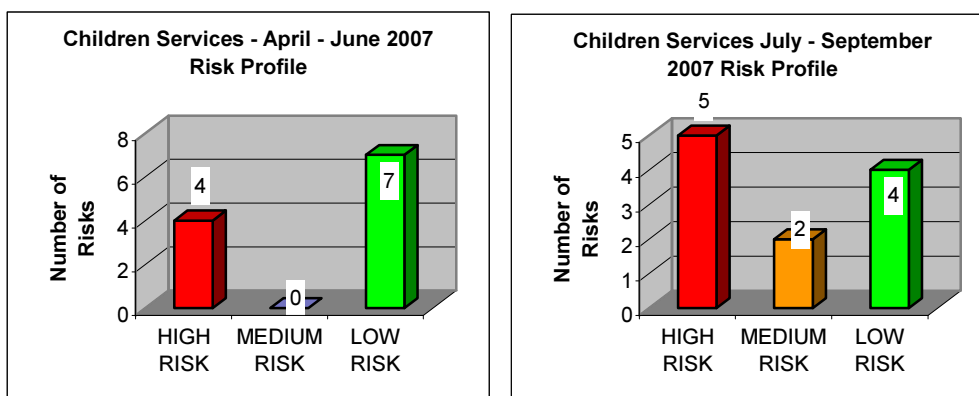
2.0 Issues

2.1 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 July this year.

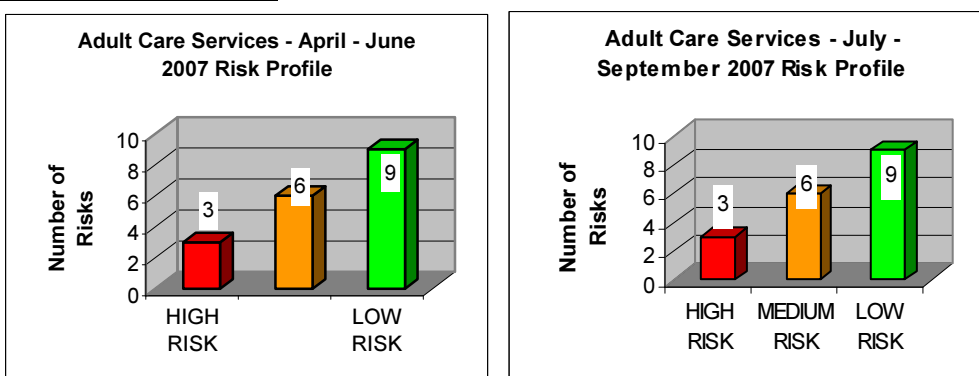
2.1.1 Children Services



There has been an increase to the number of High risks following this quarter review. The department's high risks include:

Risk Reference	Risk Event	Impact	Likelihood	Residual Score	Action
1A	Developing a Children's Trust	2	4	8	Controlled
002	Funding	3	3	9	Controlled
005	Human Resource & Workforce Development	2	4	8	Controlled
005A	Single Status / Equal Pay	4	4	16	Modified
013	Assessment and Inspection	3	3	9	Controlled

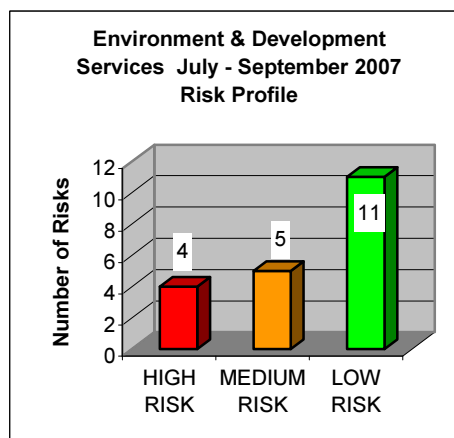
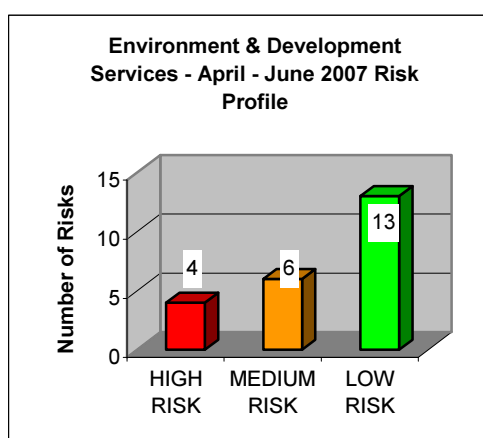
2.1.2 Adult Care Services



The number of high risks remain the same, but it is important to note that references 005 and 006 continue to be highlighted as critical receiving maximum scores.

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

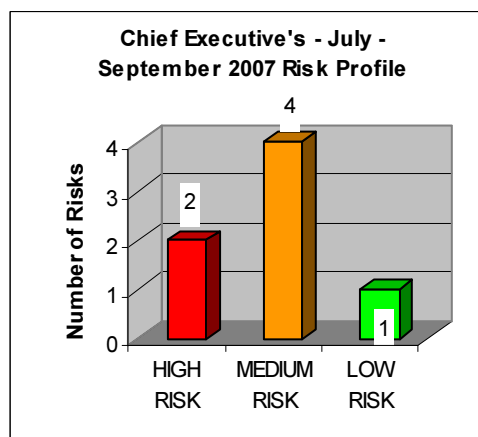
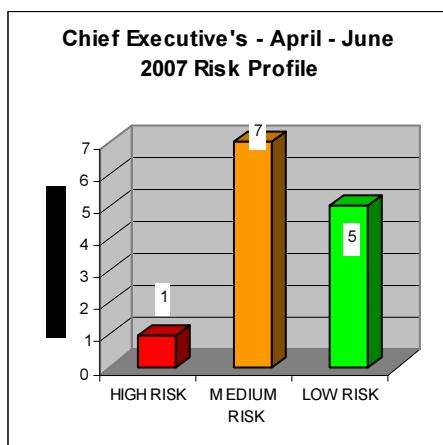
2.1.3 Environment & Development Services



There has been no change in the number of recorded high risks from the previous quarter.

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

2.1.4 Chief Executive's



Risk reference 004 "Local Land Charges" has seen an increase in likelihood moving the risk from medium to a high category.

Risk Reference	Risk Event	Impact	Likelihood	Residual Score	Action
004	To achieve Local Land Charges target for income generation and minimise the potential financial implications of Home Information Packs on the land charges budget position	3	3	9	Accepted
005	Pay & Grading review	4	4	16	Reported

This quarter review July - September 2007 has seen further evidence of risk management being applied at strategic and operational levels, enabling the effective management and reporting of risk and successful delivery of key initiatives.

A monitoring outcome proforma has been developed that forms part of the quarterly review process. This approach allows for the performance of control measures / strategic decisions being taken to be more closely monitored along with the resulting outcomes.

2.1.5 Partnership Risk

All significant Partnerships of the Council are being targeted to ensure all risks faced by the Council are identified and managed. This also includes ensuring that the partnership is also managing it's risks effectively. Through the development of a shared partnership risk management model "PRAM" risk management will form an integral part of each significant partnership governance arrangements from the beginning. Progress to date is summarised in the table below.

SIGNIFICANT PARTNERSHIP - "TEAM BURY" RISK REGISTERS

Partnership	Internal Register	External Register	Comments
Public Service Board	Initial risk assessment being completed by the Partnership Manager	Initial risk assessment being completed by the Partnership Manager	On completion of initial work to identify potential risks both to the Council and in Partnership, findings will be presented to Senior Management and the Public Service Board respectively for signing off and the continued management
Children & Young People's Partnership (CYPSP)	Held within the Departments Strategic Risk Assessment Action plan (DS RAAP)	Assessment being undertaken by the Partnership	Owing to the nature of joint working Children Service's review partnership risk as part of normal everyday operations, being recorded within the DS RAAP
Learning Partnership	Held within Children Services DS RAAP	Assessment being undertaken by the Partnership	The Learning Partnership delivers on CYPSP objectives
Economic Forum	Assessment undertaken. Risk register held as a low risk partnership	Assessment being undertaken by the Partnership	Considered to be a low risk partnership using an agreed model to assess the scale. Risk assessment undertaken against basic partnership governance requirements.
Housing Forum	Assessment undertaken. Risk register held as a low risk partnership	Assessment being undertaken by the Partnership	Considered to be a low risk partnership using an agreed model to assess the scale. Risk assessment undertaken against basic partnership governance requirements.
Health & Social Care Partnership	Held within the Departments Risk Assessment Action plan. Review being undertaken by lead officer to assess using strategic and operational checks	Assessment being undertaken by the Partnership	
Local Area Partnerships	Held within the Departments Risk Assessment Action plan. Review being undertaken by lead officer to assess using strategic and operational checks	Not applicable	
Community Safety Partnership	Held within the Departments Risk Assessment Action plan. Review being undertaken by lead officer to assess using strategic and operational checks	Partnership Risk Register under review.	

2.1.6 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 30th September 2007 is presented below and will be updated again at the end of December 2007;

CORPORATE RAAP REGISTER - SEPTEMBER 2007

Ref	Risk Event Category	Risk Event	Impact	Likelihood	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	Human Resource	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	Organisational Change	Structures and or resources within Children Services are not met	3	1	3	3	L	Controlled
7	Human Resource	Arrangements for workforce development do not support the provision of a 'Fit for Purpose' workforce	3	1	3	3	L	Accepted
8	Organisational Change	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	Community Safety	Relocation of Travellers Site	2	2	4	2	L	Accepted
12	Budgets	Conduct Pay & Grading Review in line with NJC pay agreement 04/07	4	4	16	4	H	Controlled
13	Organisational Change	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
15	Partnerships	Loss of control through the development of joint working across partnerships	3	2	6	3	M	Controlled

2.2 Work of Internal Audit

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

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

- Main Accounting Feeder Systems
- Debtors
- Creditors
- Capital Payments
- Treasury Management
- Purchase Cards
- Housing Benefits
- Housing Rents
- NNDR
- Asset Management
- Income Control

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

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

2.2.5 To date, only one recommendation has fallen into this category; out of a total of 258 recommendations made (reported to last meeting of Audit Committee)

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

- Housing benefit
- Payroll
- Blue badges
- Private Residential Care Homes
- Insurance
- Taxi Drivers
- Market Traders
- Creditors
- Internet
- Car Allowances

2.3 Review of Ethical Governance

2.3.1 The Internal Audit Section is undertaking a review of Ethical Governance to assess the adequacy of Governance arrangements. See full report elsewhere on this agenda.

2.4 Budget Monitoring

2.4.1 The forecast position, based upon month 6 figures is as follows (with underspends shown in brackets):

	£m
Adult Care Services	1.404
Children's Services	(0.014)
E&DS	0.691
Chief Executive's	(0.246)
Housing General Fund	0.073
Non-service specific	(0.973)
TOTAL PROJECTED OVERSPENDING	0.935

2.4.2 The projected overspend of **£0.935m** represents approximately **0.75%** of the total net budget of £124million (full report elsewhere on this Agenda).

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

2.4.4 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.

2.4.5 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.

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

2.5 Local Pay Agreement

2.5.1 Work is progressing well to develop a Local Pay Agreement.

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

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

2.5.4 Pay structure options are being considered by Management Board in December 2007.

2.6 Civil Contingencies Act / Business Continuity Planning

2.6.1 The Civil Contingencies Act places a number of mandatory requirements upon Local Authorities;

- Assess the risk of emergencies occurring and use this to inform contingency planning
- Put in place emergency plans

- Put in place Business Continuity Management arrangements
- Put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency
- Share information with other local responders to enhance co-ordination
- Co-operate with other local responders to enhance co-ordination and efficiency
- Provide advice and assistance to businesses and voluntary organisations about business continuity management (local authorities only)

2.6.2 The Head of Emergency Planning is developing a “Civil Contingencies Strategy” to ensure these requirements are met, and align with the Authority’s well established major incident plan.

2.6.3 Similarly the Authority’s “Business Continuity Strategy” has been updated to include the requirements of the Civil Contingencies Act.

2.6.4 Over 200 “Business Impact Assessments” have taken place this year to assess the consequences of loss / interruption of service. These are now being consolidated into a comprehensive “Business Continuity Plan”

3.0 Conclusion

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

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

3.3 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

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