
MEETING: Audit Committee

DATE: 9th December 2008

SUBJECT: Quarterly Review of Governance Statement

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 quarterly update on the Annual Governance Statement (approved by Audit Committee June 2008).

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 Annual Governance Statement 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 Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2003 (as 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

TRACKING/PROCESS

DIRECTOR: Finance & eGovernment

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Scrutiny Commission	Executive	Audit Committee	Council
		9/12/08	

1.0 Purpose of the Annual Governance Statement

- 1.1 The purpose of the Annual Governance Statement (AGS) 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 has been a mandatory requirement to produce a Governance Statement for inclusion in the Authority's Statement of Accounts since 2007/08. 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 stated;
- "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 details the continuous monitoring that takes place, and highlights any relevant issues.

2.0 Issues

2.1 Risk Management

2.1.1 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 2 years.

2.1.2 The Corporate Risk Register records the Council's highest risks, and is 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)

2.1.3 The register as at 30th September 2008 is presented below and will be updated again at the end of December 2008;

CORPORATE RISK REGISTER AS AT 30TH SEPTEMBER 2008

Ref	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	2	6	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	Failure to effectively revise working practices to realise the full potential of new ICT systems now in place.	2	2	4	2	L	Accepted
5	Partnerships	Failure to comply effectively with established partnership governance arrangements within the Council and Team Bury	3	1	3	3	L	Accepted
6	Organisational Change	Childrens' Services are unable to meet existing and/or future demands within existing risk parameters	3	1	3	3	L	Accepted
7	Human Resource	Arrangements for workforce development / workforce planning do not support the provision of a 'Fit for Purpose' workforce	3	2	6	3	M	Accepted
8	Organisational Change	Demands for Adult Social Care out-strip the available resources and capacity	3	3	9	2	H	Accepted
9	Performance	Disaster Management policies practices and manuals are ineffective	2	2	4	2	L	Accepted
10	Assets	Back-log against the Maintenance Programme	3	2	6	3	M	Controlled
11	Community Safety	Relocation of Travellers Site	2	3	6	2	M	Accepted
12	Budgets	To effectively implement Pay & Grading Review in line with NJC pay agreement 04/07	4	4	16	4	H	Controlled
13	Budgets	Risk of deteriorating economic climate impacting upon the Council's financial wellbeing, and also leading to increased levels of support / service demands from the public	2	2	4	2	L	Accepted

2.1.4 Work continues to develop the Council's approach to risk management, e.g. development of risk registers in respect of partnership working.

2.1.5 The current approach to risk management has worked well to date, however it is to be reviewed in 2009 with the aim of integrating it further into the day to day management and decision making processes of the Council.

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

- Main Accounting Feeder Systems
- Debtors
- Creditors
- Capital Payments
- Treasury Management
- Housing Benefits
- Housing Rents
- Council Tax
- Stores
- Income Control

2.2.3 The section 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, during the current Audit year, no recommendations have fallen into this category.

2.2.6 Overall, the section has made a total of 171 audit recommendations since the last Committee update.

2.2.7 As part of its proactive fraud prevention / detection work, the section has collated and submitted information to the National Fraud Initiative (NFI) for data-matching exercises in respect of the following areas;

- Payroll
- Residents Parking Permits
- Creditors
- Right to Buy
- Private Residential Care Homes
- Blue Badge Parking Permits
- Housing Rents
- Taxi Drivers
- Alcohol Licensees
- Market Traders
- Insurance Claimants

2.2.8 The results of the data-matching exercise are expected January 2009.

2.3 Review of Ethical Governance

2.3.1 The Internal Audit Section has undertaken a widespread review of Ethical Governance to assess the adequacy of Governance arrangements. The review covered a range of senior officers, and Elected Members; a summary of the findings from this work is outlined elsewhere on this agenda.

2.3.2 The Governance Panel is now established, and has met, and prepared an action plan in response to the findings of this review. The panel comprises;

- Director of Finance & eGovernment (s151 officer)
- Director of Legal & Democratic Services (Monitoring Officer)
- Head of Strategic Finance
- Head of Internal Audit

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	2.152
Children's Services	(0.002)
E&DS	0.760
Chief Executive's	0.131
Non service specific	(1.790)
TOTAL PROJECTED OVERSPENDING	1.251

2.4.2 The projected overspend of **£1.251m** represents approximately **0.94%** of the total net budget of £132million.

2.4.3 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.

2.4.4 However it is felt that it is most appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

2.4.5 The most significant budgetary pressure relates to Adult Care Services; this was flagged as an area for concern in the 2007/08 Governance Statement and an allocation was made from the Priority Investment Reserve to assist with the situation. Demand pressures are continuing and considerable efforts are being made by the department to address the projected overspend. The situation will be closely monitored in the months ahead by the Star Chamber and Project Board.

2.4.6 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 at this stage.

2.4.7 Members are referred to the full corporate monitoring report by the Director of Finance & eGovernment elsewhere on this agenda.

2.5 Local Pay Agreement

2.5.1 Work continues to implement a Local Pay Agreement in accordance with the Single Status Agreement.

2.5.2 Details of a proposed payline were presented to the Executive on 9th July 2008.

2.5.3 Following a period of statutory consultation with the Trades Unions and staff, final proposals are being considered by the Executive on 3rd December 2008.

2.5.4 The Council has a project plan in place to enable implementation by the due date of April 2009.

2.6 Use of Resources Judgement

2.6.1 The Council has now undergone its 2008 Use of Resources Auditor Judgement; assessed by KPMG. Scores are currently subject to quality control, however are likely to be available by the date of the Audit Committee.

2.6.2 The assessment is undertaken in line with "Key Lines of Enquiry" (KLOEs), covering 5 broad themes. The results of previous years assessments are detailed below;

	2008	2007	2006
Financial Reporting	Tba	3	3
Financial Management	Tba	3	3
Financial Standing	Tba	3	2
Internal Control	Tba	3	2
Vale for Money	Tba	3	3
Overall Assessment	Tba	3	3

2.6.3 Overall, the Council has scored a level 3; "performing well" for the last two years. Members are asked to note that the assessment criteria for each factor have become more demanding in the 2008 assessment.

2.6.4 A full report from KPMG is included elsewhere on this agenda.

2.7 Gifts & Hospitality / Declarations of Interest

- 2.7.1 A web-based system is now in place for Members and officers to report offers of gifts & hospitality, and any interests which may potentially conflict with their role.
- 2.7.2 The systems are well used with regular declarations from all levels of the organisation. A quarterly report is presented to the Audit Committee outlining declarations made.
- 2.7.3 Email reminders have recently been sent to Members and Officers reminding them of the importance of making declarations.
- 2.7.4 The next quarterly report will be presented to the Committee in early 2009 – to include details of offers made over the Christmas period.

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
Gifts & Hospitality Register
Declarations of Interest Register

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