REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING: AUDIT COMMITTEE

DATE: 8th DECEMBER 2009

SUBJECT: QUARTERLY GOVERNANCE STATEMENT JULY TO SEPTEMBER 2009

REPORT FROM: DIRECTOR OF FINANCE AND E-GOVERNMENT

CONTACT OFFICER: S. Kenyon - Head of Strategic Finance

TYPE OF DECISION: NON-KEY DECISION

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

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SUMMARY: This report presents Members with a quarterly update on the Annual Governance Statement (approved by Audit Committee June 2009).

OPTIONS & RECOMMENDED OPTION The Committee is asked to note the contents of the report.

IMPLICATIONS:

Corporate Aims/Policy Framework: Do the proposals accord with Policy Framework? Yes.

Financial Implications and Risk Considerations: The Annual Governance Statement is a fundamental document for recording, monitoring and communicating the effectiveness of the internal control framework within the Council.

Failure to maintain an internal control / governance framework jeopardises the Council's ability to deliver economy, efficiency and effectiveness in the delivery of its priorities / ambitions.

Statement by Director of Finance Publication of the Statement is a requirement

and E-Government: of the Accounts & Audit Regulations (2003).

Equality/Diversity implications: No

Considered by Monitoring Officer: Yes - Through the Governance Panel; the Monitoring Officer has raised no issues that require inclusion in the Quarterly Statement.

Are there any legal implications? No

Staffing/ICT/Property: No

Wards Affected: All

Scrutiny Interest: No

TRACKING/PROCESS **DIRECTOR: Mike Owen**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
Scrutiny Commission	Executive	Committee	Council
		Audit 8/12/09	

1.0 Purpose of the Annual Governance Statement

1.1 The purpose of the Annual Governance Statement is to provide a <u>continuous</u> review of the effectiveness of an organisation's internal control and risk management systems, so as to give an assurance as to their effectiveness.

1.2 There is a mandatory requirement to produce a Governance Statement for inclusion in the Authority's Statement of Accounts – as approved June 2009.

1.3 It is accepted good practice to continuously review the internal control framework, and make interim reports to those charged with governance – the Audit Committee.

1.4 The Council has adopted this practice for the last two years, and refers reports to the Audit Committee on a quarterly basis.

2.0 Quarterly Update

2.1 <u>Risk Management</u>

2.1.1 Risk registers are held at both Corporate and Departmental level.

2.1.2 The registers are web-based to allow "real time" update as and when circumstances require.

2.1.3   Registers are reported to the Council's Management Board on a quarterly basis. Management Board have dedicated agenda time to systematically work through the Corporate Risk Register, ensuring there is clear ownership of risks, and that appropriate responses / action plans are in place.

2.1.4   An officer level risk management group sits quarterly to discuss operational matters.

2.1.5   Similarly, a member level Corporate Risk Management Group sits quarterly to review registers and action plans.

2.1.6   A Risk Management Annual Report is presented to this Committee, the Executive & Full Council.

2.1.7   The latest version of the Corporate Risk Register is reproduced below.

Risk Event	Impact	Likelihood	Risk Score	Target Risk Score	Rank	Action Taken
Budget is unsustainable and inadequate to support the achievement of the Council's Priorities and Ambitions	3	2	6	3	M	Controlled
Continue to develop and implement preparations and improvement programme for Comprehensive Area Assessment	3	2	6	3	M	Accepted
Absenteeism levels are unacceptably high (as measured by BVPI targets)	3	2	6	3	M	Accepted
Failure to effectively revise working practices to realise the full potential of new ICT systems now in place.	2	2	4	2	L	Accepted
Failure to comply effectively with established partnership governance arrangements within the Council and Team Bury	3	1	3	3	L	Accepted
Childrens' Services are unable to meet existing and/or future demands within existing risk parameters	3	1	3	3	L	Accepted
Arrangements for workforce development / workforce planning do not support the provision of a 'Fit for Purpose' workforce	3	2	6	3	M	Accepted
Demands for Adult Social Care out-strip the available resources and capacity	3	3	9	2	H	Accepted
Disaster Management policies practices and manuals are ineffective	2	2	4	2	L	Accepted
Back-log against the Maintenance Programme	3	2	6	3	M	Controlled
Relocation of Travellers Site	2	3	6	2	M	Accepted
To effectively implement Pay & Grading Review in line with NJC pay agreement 04/07	4	4	16	4	H	Controlled
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

2.2   Business Continuity

2.2.1   The Authority has ranked key services in terms of required recovery times, and business continuity plans continue to be developed.

2.2.2   A database has now been developed to host these plans, and ensure appropriate arrangements are in place where services are inter-dependant; e.g. vehicle depot & refuse collection.

2.2.3   An effective Business Continuity framework is now in place. The emphasis over the next quarter will be to challenge the arrangements put in place by services, and ensure that plans are robust.

2.3   Budget Monitoring

2.3.1   The forecast outturn position (as at 30/9/09) is outlined in the table below (figures in brackets represent underspendings, those without represent overspends):

	£m
Adult Care Services	0.335
Chief Executive's	(0.382)
Children's Services	0.358
E&DS	0.783
Non-Service Specific	(0.046)
TOTAL PROJECTED OVERSPENDING	**1.048**

2.3.2   The projected overspend of **£1.048m** represents approximately **0.76%** of the total net budget of £137.581million. Detailed risk assessments and variance analyses of budget hot-spots were provided to the Executive on 2nd December 2009 as part of the corporate monitoring report.

2.3.3   A full report from the Director of Finance & e Government is included elsewhere on this agenda. Based on the information contained in this report, on the risk assessments that have been made, on the outturn position for 2008/09 and using the latest available information on the likely achievement of savings options it is clear that there is no reason to take the minimum balances above the existing level of £3.7m.

2.4   Work of Internal Audit

2.4.1   The Internal Audit Section operates according to a risk based Audit Plan.

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

- Non Domestic Rates
- Debtors
- Creditors
- Treasury Management
- Housing Rents
- Council Tax
- Income Control
- Payroll

2.4.3   The section produces reports which rank recommendations according to urgency / priority. The section has made a total of 227 recommendations for the year to date. To date, none of these recommendations have been ranked RED – which would warrant specific inclusion in the Governance Statement.

2.4.4   The Audit section continues to check the results of the National Fraud Initiative data matching exercise. The Council has also agreed to participate in a further match as part of a national crack down on unlawful sub-letting of properties in the Social Landlord Sector.

2.5   Review of Ethical Governance

2.5.1   The Council is making considerable headway in raising the awareness of the internal control / governance framework.

2.5.2   An Ethical Governance Survey was undertaken in 2008 covering 1,000 Officers and all Councillors. Results from this highlighted gaps in awareness across the organisation, prompting the following actions;

- Establishment of Governance Panel
- Development of an e-learning module on the Council's Constitution
- An e-learning module on the Anti-Fraud & Corruption Strategy
- Development of an Ethical Governance "pod cast"
- Website to include a direct link to the Anti-Fraud & Corruption Strategy
- Articles in the Council's "Learning Talk" bulletin

2.5.3   Latest figures indicate that almost 90% of senior staff have now completed this training.

2.5.4   The Ethical Governance Survey is to be repeated once all staff have undergone the training; results will be reported back to this Committee.

2.5.5   The Authority is about to pilot a new "Governance Diagnostic" tool developed by KPMG – results of this exercise will be reported to this Committee when available.

2.6   Work of Governance Panel

2.6.1   The Governance Panel has now met five times since its inception in November 2008, and continues to be a valuable arena to exchange information / concerns regarding the Council's governance arrangements.

2.6.2   The Panel comprises;

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

2.6.3   In recent meetings, the Panel has reviewed the Authority's approach to;

- Review of Ethical Governance
- Anti Money Laundering
- Gifts & Hospitality
- Monitoring of FOI requests (database now established)
- Monitoring of disciplinary investigations (database now established)

2.6.4   The November 2009 meeting also considered;

- Ombudsman Report
- Data Losses

2.7   Report by Local Government Ombudsman

2.7.1   A recent report by the Local Government Ombudsman concluded that the Council had failed to provide a family (including disabled children) with suitable accommodation. This resulted in the family having to stay for over 3 years in unsuitable accommodation. The Ombudsman attributed this failure to ineffective management.

2.7.2   In response to the Ombudsman's report, an internal investigation is now taking place, undertaken by officers including Head of Internal Audit, and Director of Personnel. The seniority of the investigation team, coupled with the impartiality of Internal Audit indicates the Council's commitment to a thorough and independent review.

2.8   Data Losses

2.8.1   Safeguarding of personal / confidential data is paramount for public sector organisations.

2.8.2   There are well publicised examples nationally where losses have taken place, leading to loss of personal financial data, and damaged reputations for the organisations concerned.

2.8.3   The Council has suffered thefts of IT hardware, e.g. laptops, memory sticks etc, however there is no evidence to suggest sensitive data has been lost.

2.8.4   Nevertheless, the Council takes this risk seriously, and work is underway to review and overhaul the IT Security Policy, particularly in respect of portable media.

2.8.5   A range of options are to be put to Management Board in January 2010, including a corporate policy on use of memory sticks, encryption for portable devices etc.

2.9   Gifts & Hospitality

2.9.1   A web-based system operates for members and officers to report offers of gifts & hospitality, and any interests which may conflict with their role.

2.9.2   A full update of declarations for the period ended 30th September is reported elsewhere on this agenda.

2.10   Local Pay Review

2.10.1   This has been recorded as the Council's highest risk for some time.

2.10.2   Implementation of the new pay structure took place on 1st September 2009, following extensive staff and trades union consultation.

2.10.3   The risk will be held on the register in the short term as the new structure beds in.

2.10.4   The Council has now finalised its proposals for "Part 3" Terms & Conditions – standby, sleep in, shift allowance etc. Formal consultation has taken place with the Trades Unions and implementation is planned for April 2010.

2.10.5   The Council has lodged an appeal regarding the tribunal ruling on Equal Pay claims; this is scheduled to be heard in the new year.

3.0   Conclusion

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

3.2   There have been no significant internal control issues during the period covered by this report.

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.

Mike Owen
Director of Finance and E-Government

Background documents:

Risk Registers

Internal Audit Reports

Gifts & Hospitality Register

Corporate Monitoring Report

Minutes of Governance Panel

For further information on the details of this report, please contact:

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