

# REPORT FOR DECISION

**MEETING:** **AUDIT COMMITTEE**

**DATE:** **23<sup>rd</sup> FEBRUARY 2010**

**SUBJECT:** **QUARTERLY GOVERNANCE STATEMENT OCTOBER TO DECEMBER 2009**

**REPORT FROM:** **DIRECTOR OF FINANCE AND E-GOVERNMENT**

**CONTACT OFFICER:** **S. Kenyon - Head of Strategic Finance**

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**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.

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## **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

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**TRACKING/PROCESS**

**DIRECTOR: Mike Owen**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
Scrutiny Commission	Executive	Committee	Council
		Audit 23/2/10	

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**1.0 Purpose of the Annual Governance Statement**

- 1.1 The purpose of the Annual Governance Statement 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 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 Risk Management**

- 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; this represents no change from the previous quarter.

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; the next stage is to launch this database for use Authority-wide; this will take place in March 2010.

## 2.3 Budget Monitoring

2.3.1 A summary of the forecast outturn for the year (as at 31/12/09) is shown in the table below, with underspendings shown in brackets:

	<b>£m</b>
Adult Care Services	0.253
Chief Executive's	(0.692)
Children's Services	0.472
E&DS	1.194
Non-Service Specific	(0.278)
<b>TOTAL PROJECTED OVERSPENDING</b>	<b>0.949</b>

2.3.2 The projected overspend of **£0.949m** represents approximately **0.69%** of the total net budget of £137.581million.

2.3.3 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.

2.3.4 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.

2.3.5 At this point no provision has been made for the potential cost of equal pay claims.

2.3.6 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, 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
- Housing Benefits
- "Procure to Pay"

2.4.3 The section produces reports which rank recommendations according to urgency / priority. The section has made a total of 308 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.

## 2.5 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 The Ethical Governance Survey is to be repeated for all senior staff in March 2010.

2.5.3 Similarly, the Members' survey is to be progressed through Group meetings in March; the support of Members of the Audit Committee will be invaluable in progressing this.

## 2.6 Work of Governance Panel

2.6.1 The Governance Panel has now met six 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 At the February meeting of the Governance Panel, there were no concerns raised which required specific reference in this update.

## 2.7 Changes to the Annual Governance Statement 2009/10

2.7.1 In June 2009, CIPFA launched its *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement supports CIPFA's work to strengthen governance and financial management across the public services. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them;

The CFO in a public services organisation:

- Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest

- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment of the organisation's financial strategy
- Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

2.7.2 The Annual Governance Statement must reflect how these principles are achieved with effect from 2009/10.

2.7.3 The Authority has liaised with CIPFA in the drafting of these new requirements, and is to assist CIPFA with a full overhaul of the Annual Governance Statement, commencing Summer 2010.

## 2.8 Gifts & Hospitality

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

2.8.2 A full update of declarations for the period ended 30<sup>th</sup> December 2009 is reported elsewhere on this agenda.

## 2.9 Local Pay Review

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

2.9.2 Implementation of the new pay structure took place on 1<sup>st</sup> September 2009, following extensive staff and trades union consultation.

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

2.9.4 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.

2.9.5 The Council has lodged an appeal regarding the tribunal ruling on Equal Pay claims; this is scheduled to be heard later in 2010.

## **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**

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***Background documents:***

Risk Registers

Internal Audit Reports

Gifts & Hospitality Register

Corporate Monitoring Report

Minutes of Governance Panel

“Statement on the role of the Chief Finance Officer in Public Service Organisations”  
(CIPFA)

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

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