

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **26th AUGUST 2010**

SUBJECT: **QUARTERLY GOVERNANCE STATEMENT APRIL TO JUNE 2010**

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

SUMMARY: This report presents Members with a quarterly update on the Annual Governance Statement (approved by Audit Committee June 2010).

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 26/8/10	

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 2010.
- 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;

RISK REF.	RISK EVENT	RISK STATUS AS AT 30/6/10
001	Budget is unsustainable and inadequate to support the achievements of the Council’s Priorities and Ambitions	9 High
002	Continue to develop and implement preparations and improvement programme for Comprehensive Area Assessment	4 Low
003	Absenteeism levels are unacceptably high (as measured by BVPI targets)	6 Medium
004	Failure to effectively revise working practices to realise the full potential of new ICT systems now in place	4 Low
006	Children’ Services are unable to meet existing and/or future demands within existing parameters	6 Medium
007	Arrangements for workforce development do not support the provision of a “fit-for-purpose” workforce	6 Medium
008	Demands for Adult Social Care out-strip the available resources and capacity	6 Medium
009	Disaster Management policies practices and manuals are ineffective	4 Low
010	Back-log against Maintenance Programme	6 Medium
012	To effectively implement the Pay Structure in line with NJC pay agreement 04/07	6 Medium
013	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.	6 Medium

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 database is now being populated, with a deadline of December 2010 for completion.

2.3 Budget Monitoring

2.3.1 A summary of the forecast outturn for the year (as at 30/6/10) is shown in the table below, with underspendings shown in brackets:

	£m
Adult Care Services	0.293
Chief Executive's	(0.087)
Children's Services	1.257
E&DS	0.533
Non-Service Specific	(0.844)
TOTAL PROJECTED OVERSPENDING	1.152

2.3.2 The projected overspend of **£1.152m** represents approximately **0.83%** of the total net budget of £139.474million.

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 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 their current level.

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
- Payroll
- Housing Benefits
- Stores

- 2.4.3 The section produces reports which rank recommendations according to urgency / priority. The section has made a total of 55 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 Work of Governance Panel
- 2.5.1 The Governance Panel has now met seven times since its inception in November 2008, and continues to be a valuable arena to exchange information / concerns regarding the Council’s governance arrangements.
- 2.5.2 The Panel comprises;
- Director of Finance & eGovernment (s151 officer)
 - Director of Legal & Democratic Services (Monitoring Officer)
 - Head of Strategic Finance
 - Head of Internal Audit
- 2.5.3 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)
- 2.5.4 The Group is now exploring ways to improve Departmental input to the working of the Panel.
- 2.5.5 At the June meeting of the Governance Panel, no concerns were raised which required specific reference in this update.
- 2.6 Gifts & Hospitality
- 2.6.1 A web-based system operates for members and officers to report offers of gifts & hospitality, and any interests which may conflict with their role.
- 2.6.2 A full update of declarations for the period ended 30th June 2010 is reported elsewhere on this agenda.
- 2.7 Public Sector Spending Review
- 2.7.1 The ongoing review of public sector spending presents a significant risk to the organisation, in terms of its ability to maintain levels of service expected by residents within a sustainable financial framework.
- 2.7.2 This risk was formally recognised in drafting the 2009/10 Annual Governance Statement.
- 2.7.3 Work to address this risk has been taking place for some time; officers are currently evaluating a range of scenarios, and considering a range of potential savings targets.
- 2.7.4 The Strategic Planning Event in June considered a range of potential approaches to the Council’s “Transformation Agenda”.

2.7.5 Work will continue throughout Summer / Autumn 2010 in advance of the Comprehensive Spending Review (expected October) and the Local Government Finance Settlement (expected December).

2.7.6 Members will receive further updates when the Medium Term Financial Strategy is considered at the December meeting of the Audit Committee.

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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