

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **7th DECEMBER 2010**

SUBJECT: **QUARTERLY GOVERNANCE STATEMENT JULY TO SEPTEMBER 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 7/12/10	

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. Management Board last considered and updated the Corporate Risk Register on **15th November 2010**.
- 2.1.4 An officer level risk management group sits quarterly to discuss operational matters; the Group last met on **21st September 2010**.
- 2.1.5 Similarly, a member level Corporate Risk Management Group sits quarterly to review registers and action plans. The group last met on **11th October 2010** to review and update the Corporate Risk Register.
- 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;

CORPORATE RISK REGISTER - PERIOD JULY TO SEPTEMBER 2010

Ref	Risk Event Category	Risk Event	Impact	Likelihood	Risk Score
1	Budgets	Locally, there is a risk that the budget is unsustainable	4	3	12
3	HumanResource	Absenteeism levels are unacceptably high impacting upon performance, and incurring additional costs - overtime, agency staff etc...	4	2	8
4	Organisational Change	In light of anticipated funding reductions the organisation needs to have an effective transformation process to ensure that services are delivered within available resources. It is likely this will impact on the range of services provided and levels of performance	3	3	9
6	Budgets	Demand led costs within Children Services are growing at a rate that cannot be contained within the current budget	3	4	12
7	HumanResource	Arrangements for workforce development / planning do not produce the staff mix (numbers, skills etc) required for future service delivery	3	2	6
8	Budgets	Demands for Adult Social Care out-strip the available resources and capacity	3	2	6
10	Assets	There is an opportunity for the Council to review its Asset Base; maximising the performance / return on assets, and where necessary disposing of underperforming assets	3	2	6
13	Budgets	Nationally, the review of public sector spending is likely to mean a reduction in funding, and a risk that Council Services can no longer be provided at their current levels	4	4	16

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 31st December 2010 for completion. Management Board considered a progress report on **29th November 2010**; highlighting 45% of plans were complete.

2.3 Budget Monitoring

2.3.1 A summary of the forecast outturn for the year (as at 30/9/10) is shown in the table below;

Department	Budget £'000	Forecast £'000	Variance	
			£'000	%
Adult Care Services	42,329	42,523	+194	+0.46
Chief Executives	5,515	5,642	+127	+2.30
Childrens Services	25,691	26,376	+685	+2.67
Env & Dev Services	33,931	33,954	+23	+0.07
Non-Service Specific	32,459	31,143	-1,316	-4.05
TOTAL	139,925	139,638	-287	-0.21

2.3.2 The projected underspend of **£0.287m** represents approximately **0.21%** of the total net budget of **£139.925m**.

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;

- NNDR
- Payroll

- Housing benefits
- Stores (Asset Management)
- Cash and Bank Reconciliation
- Creditors
- Treasury Management
- Pensions
- Risk Management

2.4.3 The section produces reports which rank recommendations according to urgency / priority. The section has made a total of 181 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 eight 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 The Panel last met on **1st October 2010**; 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 September 2010 is reported elsewhere on this agenda.

2.7 Public Sector Spending Review

2.7.1 The Comprehensive Spending Review was announced on 20th October 2010.

2.7.2 The Review announced;

- a headline cut in Formula Grant of 28% over the next 4 years
- an additional £1bn of support for social care (nationally)
- reduced ring fencing of specific grants

2.7.3 Assessing the local impact for Bury is not straightforward as the headline figure includes elements for Police & Fire, and is also dependant upon the outcome of a review of national distribution formulae.

2.7.4 The current best estimate is that the Council will be required to make savings of £12.2m in 2011/12, and a total of £29m over the next 4 years.

- 2.7.5 It is stressed that this is an estimate; actual savings requirements will not be confirmed until the "Settlement" is announced in early December; Members will be updated as soon as this information becomes available.
- 2.7.6 The risk of having to make significant savings is recognised on both the Corporate Risk Register, and individual departmental registers.

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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