

REPORT FOR DECISION

MEETING: AUDIT COMMITTEE

DATE: 6th DECEMBER 2011

SUBJECT: QUARTERLY GOVERNANCE STATEMENT JULY to SEPTEMBER 2011

REPORT FROM: HEAD OF INTERNAL AUDIT

CONTACT OFFICER: B. Strothers (Head of Internal Audit)

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 (received by Audit Committee December 2011).

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

Members are requested to consider the revised corporate risks at Appendix A.

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 Assistant Director of Resources (Finance & Efficiency): Publication of the Statement is a requirement 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 06/12/11	

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 to accompany the Authority’s Statement of Accounts – as presented June 2011.
- 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 three years, and refers reports to the Audit Committee on a quarterly basis.
- 1.5 Included with this Statement is the revised version of the Anti-Fraud & Corruption Strategy for the Committee’s approval.

2.0 Matters for consideration

2.1 Members are asked to:

- Note the report
- Approve or reject the revised Anti-Fraud & Corruption Strategy

3.0 Quarterly Update

3.1 Risk Management

- 3.1.1 Risk registers are held at both Corporate and Departmental level.
- 3.1.2 The registers are web-based to allow “real time” update as and when circumstances require.
- 3.1.3 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.
- 3.1.4 An officer level risk management group sits quarterly to discuss operational matters; the Group meets next on **31st January 2012**.
- 3.1.5 Similarly, a member level Corporate Risk Management Group sits quarterly to review registers and action plans. The group meets next on **11th January 2012** to review and update the Corporate Risk Register.
- 3.1.6 The Risk Management Annual Report has been presented to this Committee, the Executive & Full Council.
- 3.1.7 The Corporate Risk Register for the period July to September has been significantly updated to reflect the latest high level risks facing the organisation; see **Appendix A** attached.

3.2 Business Continuity

- 3.2.1 The Authority has ranked key services in terms of required recovery times, and business continuity plans continue to be developed.
- 3.2.2 A database has now been developed to host these plans, and ensure appropriate arrangements are in place where services are inter-dependant. All the 253 service plans have now been uploaded and the focus now is on improving the information held within the database.

3.3 Budget Monitoring

- 3.3.1 Budget monitoring is undertaken on a monthly basis, and quarterly reports are produced for Members.
- 3.3.2 The quarter 2 statement provides a mid-year summary of spend to date a forecast outturn for the year. This alerts Directors to any pressures which they are required to address when preparing the 2012/13 budget.

- 3.3.3 As such, it is critical that forecasts are accurate; evidence based, and has been through a rigorous quality assurance process.
- 3.3.4 The Quarter 2 report went to the Executive on **21st September 2011**, and will be reported in summary later in the agenda.
- 3.4 Work of Internal Audit
- 3.4.1 The Internal Audit Section operates according to a risk based Audit Plan.
- 3.4.2 During the period ended September 2011, the section has examined the following fundamental financial system(s);
- Council Tax
 - Payroll
 - NNDR
 - Housing Benefit
 - Treasury Management
 - Debtors
 - Creditors
 - Housing Rents
 - Main Accounting System
- 3.4.3 The section produces reports which rank recommendations according to urgency / priority. The section has made a total of **152** 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.
- 3.5 Work of Governance Panel
- 3.5.1 The Governance Panel has now met eleven times since its inception in November 2008, and continues to be a valuable arena to exchange information / concerns regarding the Council's governance arrangements.
- 3.5.2 The Panel comprises:
- Director of Resources
 - Director of Legal & Democratic Services (Monitoring Officer)
 - Assistant Director of Resources (Finance & Efficiency) (s151 Officer)
 - Head of Internal Audit (Anti-Money Laundering Officer)
- 3.5.3 The Panel last met on **22nd June 2011**; no concerns were raised which required specific reference in this update.
- 3.6 Gifts & Hospitality
- 3.6.1 A web-based system operates for members and officers to report offers of gifts & hospitality, and any interests which may conflict with their role.
- 3.6.2 A full update of declarations for the period ended **30th September 2011** is reported elsewhere on this agenda.

3.7 Anti Fraud & Corruption Strategy

3.7.1 The Authority reviews its Anti Fraud & Corruption Strategy on a rolling basis.

3.7.2 A review commenced in September addressing the following;

- Revised content to reflect personnel changes / restructuring
- Inclusion of content re: Bribery Act
- Updated content re: Money Laundering

3.7.3 A revised Anti-Fraud & Corruption Strategy is included with this report.

3.8 Medium Term Financial Strategy

3.8.1 The Authority is currently updating its Medium Term Financial Strategy (MTFS) for the period 2012/13 – 2014/15.

3.8.2 This work is being overseen by the Senior Leadership Team and a dedicated sub-group of Internal Scrutiny. The Councils External Auditors have also been briefed regarding progress to date.

3.8.3 The MTFS was finalised in September, and will be included within a wider Resources Strategy.

3.8.4 An update will be presented to this Committee elsewhere in the agenda.

3.9 Sickness Update

3.9.1 The Audit Committee has shown considerable interest in sickness absence, requesting absence data and action plan updates from Directors.

3.9.2 The following tables show the sickness absence figures per head (FTE) for the Council and the individual four Directorates over the last three full financial years and the Qtr 1 and 2 figures for this year. These are twelve month rolling figures.

Division	2008/09 Full Year	2009/10 Full Year	2010/11 Full Year	2011/12 QTR 1	2011/12 QTR 2
Adult Care Services	18.8	17.7	18.5	17.2	17.3
Chief Executives	7.3	9.7	5.9	5.7	5.9
Children's Services	9.2	8.6	8.5	8.2	8.2
Env & Dev Services	13.6	12.7	10.5	9.5	8.8
Total FTE days lost	11.6	11.1	10.2	9.6	9.5

- 3.9.3 The conclusions that we can draw from the table is that, overall, the council's sickness absence rate is falling, with the most dramatic improvement over three years coming from the Environment and Development Services Division with a fall of 23%.
- 3.9.4 To put some context to the figures – last year Children's Services employed 55% of Council staff, with EDS employing 25%, ACS 14% and Chief Execs the remaining 6%.
- 3.9.5 Going forward, sickness absence figures will continue to be reported to the Audit Committee in future quarterly updates.

4.0 Conclusion

- 4.1 This report provides an assurance, and presents evidence that the Council reviews its internal control / governance mechanisms on a continuous basis.
- 4.2 There have been no significant internal control issues during the period covered by this report.
- 4.3 The control environment will continue to be monitored throughout the year, and Audit Committee will continue to receive updates on a quarterly basis.

Barrie Strothers
Head of Internal Audit

Background documents:

Risk Registers

Internal Audit Reports

Gifts & Hospitality Register

Minutes of Governance Panel

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

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CORPORATE RISK REGISTER - PERIOD JULY TO SEPTEMBER 2011

Ref	Risk Event	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status
1	The <u>potential</u> liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position.	3	3	9	9
2	There is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces over the next 3 years and beyond in order to ensure there is a sustainable and balanced budget.	4	3	16	12
3	The budget fails to reflect the Council's priorities, evidence based by consultation with residents and other stakeholders.	3	2	9	6
4	The budget strategy fails to address emerging issues, e.g. demographic and legislative changes.	3	2	9	6
5	The budget strategy does not reflect, or respond to, national policy developments, e.g. Local Government Finance Review / potential changes to the Business Rates regime.	3	3	9	9
6	The Workforce Development Plan fails to reflect the future shape of the Council; ensuring appropriately qualified / experienced staff are in the "right place at the right time".	3	2	6	6
7	The Council's asset base is not operated to its maximum effect to deliver efficiency savings and ensure priorities are fulfilled. Ineffective use of assets presents both a financial and a performance risk.	2	4	8	8
8	The Council needs to be prepared for the impact of the Localism Bill; this presents both opportunities, e.g. power of competency, and risks e.g. referenda	4	2	8	8
9	The Council fails to comply with the continuing demands of the "Transparency Agenda" - publishing information around spend etc.	3	1	3	Removed

10	The Council is not well placed to address the risks and opportunities arising from the imminent transfer of "Public Health" from PCT to the Council, nor is well placed to take on this new role, and equally undertake due diligence in terms of the transfer of functions, staff, funding, assets & liabilities.	3	2	6	6
11	The Council fails to manage the expectations of residents and service users in light of funding reductions.	3	3	9	9