

REPORT FOR DECISION

MEETING: AUDIT COMMITTEE

DATE: 23rd AUGUST 2012

SUBJECT: QUARTERLY GOVERNANCE STATEMENT APRIL to JUNE 2012

REPORT FROM: HEAD OF INTERNAL AUDIT

CONTACT OFFICER: BARRIE 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 (Approved by Audit Committee June 2012).

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.

Statement by Assistant Director of Resources (Finance & Efficiency): 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.

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/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 23/08/12	

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 2012.
- 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 since 2008, and refers reports to the Audit Committee on a quarterly basis.

2.0 Matters for consideration

- 2.1 Members are asked to:
- Note the report

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 An officer (Operational) level risk management group sits quarterly to discuss operational matters; the Group last met on **29th May 2012**.
- 3.1.4 Similarly, a Member level Corporate Risk Management Group sits quarterly to review registers and action plans. The group last met on 5th July 2012 to review and update the Corporate Risk Register.
- 3.1.5 The Risk Management Annual Report has been presented to this Committee (26th June 2012), the Cabinet (11th July 2012) and is scheduled to go to Council (12th September).
- 3.1.6 The Corporate Risk Register for the period April to June has been 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 1 report (i.e. April to June) is a critical report as it forms the baseline for the commencement of the budget setting process.
- 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 1 report went to Cabinet on **22nd August 2012**, 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 June 2012, the section has examined the following fundamental financial system(s);

- Cash Collection
- Payroll
- Debtors
- Treasury Management
- Main Accounting System

3.4.3 The section produces reports which rank recommendations according to urgency / priority. The section has made a total of 78 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 twelve 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 **16th July 2012**; 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 and hospitality, and any interests which may conflict with their role.

3.6.2 A full update of declarations for the period ended 30th June 2012 is reported elsewhere on this agenda.

3.7 Sickness Update

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

3.7.2 The following tables show the sickness absence figures per head (FTE) for the Council and the individual four Directorates over the last three financial years and the first quarter results (the most up to date available) from this year.

Division	2009/10 Full Year	2010/11 Full Year	2011/12 Full Year	2012/13 Qtr 1
Adult Care Services	17.7	18.5	16.8	16.1
Chief Executives	9.7	5.9	6.6	6.1
Children's Services	8.6	8.5	8.2	8.3
Env & Dev Services	12.7	10.5	8.6	9.0
Total FTE days lost	11.1	10.2	9.4	9.4

Note – the quarter one figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation.

- 3.7.3 To put some context to the figures – currently, Children's Services employ 56% of all Council staff, with EDS employing 23%, ACS 14% and Chief Execs the remaining 7%.
- 3.7.4 The conclusions that we can draw from the table is that the smaller departments are showing improvement during the first quarter while the larger departments have deteriorated, the overall effect is stable.
- 3.7.5 At the June 2012 Audit Committee, Members of the Committee requested a break down of the sickness figures between long-term and short-term absence. The Council's definition of a long-term absence is 20 days plus. The table below contains the analysis for 2011/12.

Division	L/T Days lost	S/T Days lost
Adult Care Services	58%	42%
Chief Executives	25%	75%
Children's Services	43%	57%
Env & Dev Services	49%	51%

- 3.7.6 The overall statistics for the Council reveal that 53% of sickness absence days are categorised as short-term absences (duration of less than 20 days) while the remainder (47%) are from long-term absences. Adult Care Services stand out in that they are the only department to clearly have the majority of their sickness due to long-term absences.
- 3.7.7 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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