

# REPORT FOR DECISION

**MEETING:** AUDIT COMMITTEE

**DATE:** 4<sup>th</sup> DECEMBER 2012

**SUBJECT:** QUARTERLY GOVERNANCE STATEMENT JULY to SEPTEMBER 2012

**REPORT FROM:** HEAD OF INTERNAL AUDIT

**CONTACT OFFICER:** BARRIE STROTHERS (Head of Internal Audit)

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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 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.

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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.

**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

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**TRACKING/PROCESS**

**DIRECTOR: Mike Owen**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 04/12/12	

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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 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 30<sup>th</sup> October 2012 and is due to meet again on 4<sup>th</sup> December 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 9<sup>th</sup> October 2012 and is due to meet again on 9<sup>th</sup> January 2013 to review and update the Corporate Risk Register.
- 3.1.5 The Risk Management Annual Report has been presented to this Committee (26<sup>th</sup> June 2012), the Cabinet (11<sup>th</sup> July 2012) and Council (17<sup>th</sup> October 2012).
- 3.1.6 The Corporate Risk Register for the period April to Sept 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 2 statement (i.e. April to Sept) provides a mid-year summary of spend to date and a forecast outturn for the year. This alerts Directors to any pressures which they are required to address.
- 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 Cabinet on 28<sup>th</sup> November 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 November 2012, the section has examined the following fundamental financial system(s);

- Creditors
- Payroll
- Housing Benefit
- Treasury Management
- Main Accounting System
- Debtors

3.4.3 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.

### 3.5 Work of Governance Panel

3.5.1 The Governance Panel has now met regularly 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 6<sup>th</sup> November 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 31<sup>st</sup> December 2012 will be reported at the February 2013 meeting to include the declarations over the Christmas period.

### 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 two financial years and the first two quarter results (the most up to date available) from this current financial year.

<b>Division</b>	<b>2010/11 Full Year</b>	<b>2011/12 Full Year</b>	<b>2011/12 Qtr 1</b>	<b>2012/13 Qtr 2</b>
Adult Care Services	18.5	16.8	16.1	<b>16.0</b>
Chief Executives	5.9	6.6	6.1	<b>5.3</b>
Children's Services	8.5	8.2	8.3	<b>8.3</b>
Env & Dev Services	10.5	8.6	9.0	<b>9.3</b>
<b>Total FTE days lost</b>	<b>10.2</b>	<b>9.4</b>	<b>9.4</b>	<b>9.4</b>

*Note – the quarterly 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 57% of all Council staff, with EDS employing 22%, ACS 14% and Chief Execs the remaining 7%.

3.7.4 The conclusions that we can draw from the table is that the smallest department, Chief Executives' showed a good improvement during both the first and second quarter leading to a 20% reduction on last year. We also see an improvement from Adult Care Services of 5% on last year. These improvements are cancelled out by a drop in performance from EDS of 8%. The overall effect is stable.

3.7.5 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**

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### ***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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