

# REPORT FOR DECISION

**MEETING:** AUDIT COMMITTEE

**DATE:** 2 MARCH, 2015

**SUBJECT:** QUARTERLY GOVERNANCE STATEMENT - APRIL to DECEMBER 2014

**REPORT FROM:** HEAD OF FINANCIAL MANAGEMENT

**CONTACT OFFICER:** ANDREW BALDWIN

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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. The 2013/14 Annual Governance Statement was approved by Audit Committee on 15 July 2014.

**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 & Regulation (Finance & Efficiency):** Failure to maintain an internal control and governance framework jeopardises the Council's ability to deliver economy, efficiency and effectiveness in the delivery of its priorities and 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 Governance Statement.

**Are there any legal implications?** No

**Staffing/ICT/Property:** No

**Wards Affected:** All

**Scrutiny Interest:** No

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**TRACKING/PROCESS**

**DIRECTOR: STEVE KENYON**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 02/03/15	

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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 system in order to give an assurance as to their effectiveness.

1.2 It is a mandatory requirement to produce a Governance Statement to accompany the Authority's Statement of Accounts – as presented on 15 July 2014.

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-level risk management group meets quarterly to discuss operational matters. Following the recent move from 4 departments to 3 group membership has been reviewed and meetings are being re-scheduled to coincide with the quarterly meetings of the Corporate Risk Management Group. The Operational Risk Management Group is scheduled to next meet on the 25<sup>th</sup> February 2015.
- 3.1.4 Similarly, a Member-level Corporate Risk Management Group sits quarterly to review registers and action plans. The group discussed the Corporate Risks as at Q3 on the 27 January, 2015 and the next meeting is scheduled for 22 April.
- 3.1.5 The Risk Management Annual Report was presented to this Committee on 15 July 2014, the Cabinet on 16 July 2014 and to Council on 10 September 2014.
- 3.1.6 The Corporate Risk Register for the period April to December 2014 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 246 service plans have now been uploaded and the focus now is on improving the information held within the database.
- 3.2.3 In light of the recent moves from 4 departments to 3 with effect from April 2014 the priority is also on ensuring all new departmental structures and service Business Continuity Plans are up to date on the Business Continuity Planning Database and that the Corporate Business Continuity Plan takes account of these changes and forms an integral part of the Major Incident Plan when invoked.

#### **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 3 statement (i.e. April to December) provides a 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 have been through a rigorous quality assurance process.

3.3.4 The Quarter 3 report is scheduled to go to Cabinet on 25 February and Overview & Scrutiny Committee on 11 February and will be reported in summary elsewhere on this 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 April to December 2014, the section has examined the following fundamental financial systems;

- Main Accounting system;
- Council tax;
- Creditors;
- NNDR (Business Rates);
- Housing Rent;
- Cash and banking;
- Debtors Key Controls

3.4.3 The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the first three quarters have produced a total of 166 recommendations. 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:

- Executive Director of Resources & Regulation;
- Assistant Director of Legal & Democratic Services (Monitoring Officer)
- Assistant Director of Resources & Regulation (Finance & Efficiency) (s151 Officer);
- Head of Financial Management

3.5.3 The Panel last met on 15 October 2014; no concerns were raised which required specific reference in this update. The next meeting is scheduled for 30 January, 2015.

### **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 December 2014 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 Executive Directors.

- 3.7.2 The following tables contain the sickness absence figures per full time equivalent (FTE) for the Council.
- 3.7.3 The first table shows the figures for the previous four departments over the last two financial years plus the first two quarters of 2014/15.
- 3.7.4 The second table shows the 2015/15 Q3 figures based on the three new departments.

Department	2012/13 Full Year	2013/14 Full Year	2014/15 Q1	2014/15 Q2
Adult Care Services	15.1	13.6	14.8	15.1
Chief Executives	6.3	6.8	6.9	6.9
Children's Services	8.3	8.9	8.9	8.7
Communities & Neighbourhoods	9.6	10.8	11.9	11.7
<b>Total FTE days lost</b>	<b>9.4</b>	<b>9.8</b>	<b>10.2</b>	<b>10.1</b>

Department	2014/15 Q3
Communities & Wellbeing	9.9
Resources & Regulation	6.1
Children, Young People & Culture	10.9
<b>Total FTE days lost</b>	<b>9.3</b>

*Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q3 period for 2014/15 relates to the full year period of 1/1/14 to 31/12/14.*

- 3.7.5 Whilst it is not possible to compare the three new departments to the four historic departments on a like-for-like basis, over the whole Council the sickness levels have remained relatively constant per days lost per FTE for the last three years although it is encouraging that Q3 in 2014/15 has shown a reduction from Q2 of 0.8FTE days to 9.3 days lost.
- 3.7.6 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.

**Andrew Baldwin**  
**Head of Financial Management**

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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:***

Mr A Baldwin, Head of Financial Management

Tel. 0161 253 5034

Email: [a.baldwin@bury.gov.uk](mailto:a.baldwin@bury.gov.uk)