

RIBBLE VALLEY BOROUGH COUNCIL DECISION
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 29 JUNE 2010
title: ANNUAL GOVERNANCE STATEMENT
submitted by: DIRECTOR OF RESOURCES
principal author: AMY GASKELL

1 PURPOSE

1.1 To agree the Annual Governance Statement 2009/10.

2 BACKGROUND

2.1 Under the Accounts and Audit (Amendment) (England) Regulations 2006 and the Statement of Recommended Practice (SORP) 2009 the Council is required to produce an Annual Governance Statement that is signed by the Chief Executive and Leader of the Council.

2.2 This Statement must be included in the Annual Accounts.

3 ANNUAL GOVERNANCE STATEMENT 2009/10

3.1 CIPFA/SOLACE issued their revised governance framework "Delivering Good Governance in Local Government" in June 2007 which incorporated the requirement to produce an Annual Governance Statement.

3.2 The Annual Governance Statement for 2009/10 is attached at Annex 1 and has been developed based upon the requirements and guidance received from CIPFA.

4 RECOMMENDED THAT COMMITTEE

4.1 Approve the attached annual governance statement 2009/10.

AMY GASKELL
SENIOR AUDITOR

AA14-10/AG/AC
21 June 2010

Annual Governance Statement

1 Scope of Responsibility

Ribble Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. This Annual Governance Statement explains how the Council has complied with the local code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) in relation to the publication of a statement on internal control.

2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

3 The Governance Environment

Establishing & Monitoring the Achievement of Objectives

The Council's priorities are derived from consultation on the Sustainable Community Strategy and the approved Corporate Performance and Improvement Plan clearly sets out the Council's priorities and strategic objectives.

Long term outcomes and interim performance targets have been established for each strategic objective. These are in turn transferred into individual service plans and performance monitoring reports are produced on a quarterly basis. This is supported by a system of individual staff performance appraisals.

The Conduct of Behaviour

The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.

Policy & Decision Making

The Council has adopted a constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Policy and decision-making is facilitated through a Committee System including Overview & Scrutiny Committee, Accounts and Audit Committee and a Standards Committee.

Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.

Compliance

The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

- Monitoring Officer;
- Section 151 Officer;
- Internal Audit;
- External Audit;
- Performance management system.

The Council has designated the Legal Services Manager as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Risk Management

The Council has embedded a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational / service levels. The key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

Economy, Efficiency & Effectiveness

The Council has constantly sought ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised. These now include:

- Budget Working Group
- Overview & Scrutiny Committee;
- External Audit;
- Internal Audit.

Financial Management

The Council has designated the Director of Resources as chief finance officer under Section 151 of the Local Government Act 1972.

The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's Constitution. The Council has also adopted and implemented the relevant financial codes of practice covering such areas as treasury management and the Prudential Code.

The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Performance and Improvement Plan.

The Council maintains a sound Internal Audit function which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Internal Audit report four times annually to the Accounts and Audit Committee and are a prime source of assurance to the authority regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.

The Council has an objective and professional relationship with its external auditors and statutory inspectors.

Performance Management

The Council's Performance Management Framework is underpinned by the Sustainable Community Strategy which clearly articulates a shared vision for the Borough. Derived from this is our Corporate Performance and Improvement Plan which articulates our corporate vision, priorities, strategic objectives and anticipated outcomes. Individual Service Plans contain key projects which are geared towards achieving overall corporate objectives. This system is in turn supported by individual staff performance reviews to ensure that everyone understands their individual and sections contribution to corporate goals.

Separate detailed guidance exists for Service Planning and the Performance Review processes. Performance against targets is monitored by the Corporate Management Team, Service Committees, the Overview & Scrutiny function and the Accounts and Audit Committee. Where necessary corrective action is identified and implemented.

The Council uses a bespoke performance management software system, Covalent. The system uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of corporate objectives. These reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate.

4 Review of Effectiveness

Ribble Valley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs explain the various roles and responsibilities that have been applied in maintaining and reviewing the effectiveness of the Council's system of governance and internal control:

Corporate Level Review

The Corporate Management Team consisting of the following officers oversees the compilation of the Annual Governance Statement.

Chief Executive;
Director of Resources (S.151 Officer);
Director of Community Services;
Director of Development

The group have considered a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Directorate Level Review

The Council has also in place Directorate Assurance Statements requiring Directors to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Monitoring Officer

As the Council's Monitoring Officer, The Legal Services Manager has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.

Scrutiny Committee

The Council has an Overview and Scrutiny Committee which can challenge a decision made by Service Committees but not yet implemented, to enable them to consider whether the decision is appropriate.

Accounts and Audit Committee

The Council has appointed an Accounts and Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

Standards Sub-Committee

The Council has appointed a Standards Committee whose terms of reference comply with the guidance set out by the Standards Board for England, including the statutory functions in respect of the local Code of Conduct for Members.

Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to

be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within an Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

The Internal Audit Annual Report contains an opinion on the overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment). The annual audit opinion given for the 2009/10 financial year was as follows:

'Reasonable ie the Authority can place reasonable (ie sufficient) reliance on the arrangements/controls in place. Only relatively minor control weaknesses exist.'

This opinion was reached after carrying out audit reviews of the following areas:

Data Matching of Housing Benefits to Electoral Register	Employees – Council Tax and Single Person Discount Check
Visitors Information Centre	Building Control
Payroll System	Platform Gallery
Sundry Debtors System	Creditors System
Creditors System	Deductions from Payroll
Private Drain Clearances	Petty Cash Floats
Temporary Loans & Investments	Land Charges
Clitheroe Cemetery	Salthill Depot Stores
Flexi-time System Operation	Car Mileage Claims
Printing and Stationery	Rechargeable Works
Car Insurances	Clitheroe Market
Housing Benefit Cheque Delivery	

External Audit

In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

5 Audit Commission National Report

In September 2009 the Audit Commission released a report entitled 'Protecting the Public Purse' which focused on the damaging impact that fraud has on the economy and on citizens.

The report highlighted the significant benefits to both councils and taxpayers that can be achieved where councils adopt good practice and focus counter-fraud activities and resources on those areas of greatest financial risk and/or social harm.

The report included a checklist, which it encouraged councils to use to assess their organisations defences against the good practice that has been identified because:

'fraud is likely to increase as a result of a recession as economic distress can increase the incentive to commit fraud and controls to prevent fraud can come under pressure as councils reduce their costs' (Audit Commission).

This checklist was used and completed for this council without any areas of concern being highlighted. The purpose of the checklist was to ensure that the Council is doing all that it can to:

- address housing tenancy, single person discount (SPD) and recruitment fraud
- satisfy themselves that their vetting procedures for recruiting permanent and temporary staff accord with good practice
- consider whether they have properly vetted staff already in post and take appropriate risk based action
- ensure that their arrangement for tackling housing and council tax benefit fraud are up to date, effective and address increased service demands
- ensure current arrangements are sufficiently robust to reduce the risk of procurement fraud and follow the latest Office of Fair Trading guidance to lessen the risk of unlawful practices affecting their awarding and allocation of contracts
- use information from the Audit Commission's National Fraud Initiative (NFI) to the full to help focus their fight against fraud
- test their whistle-blowing arrangements against good practice guidance and ensure staff understand and trust them
- improve staff awareness of money laundering regulations and how they can report suspicions of money laundering and criminal activities
- Identify areas where internal controls may not be effective or operating as intended

6 Significant Governance Issues

We have been advised of the result of the review of the effectiveness of the governance framework and system of internal control by the Corporate Improvement Board and are pleased to report that no significant improvement opportunities have been highlighted.

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Leader of the Council

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Chief Executive

on behalf of Ribble Valley Borough Council