

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No. 5

meeting date: 27 JUNE 2012
title: ANNUAL GOVERNANCE STATEMENT
submitted by: DIRECTOR OF RESOURCES
principal author: AMY GASKELL

1 PURPOSE

1.1 To approve the Council's Annual Governance Statement 2011/12.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified.
- Corporate Priorities – assessing the Council's system of internal control contributes to the achievement of the corporate priority of being a well managed Council.
- Other Considerations – none identified.

2 BACKGROUND

2.1 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 ISSUES

3.1 Under the Accounts and Audit (England) Regulations 2011 the Council is required to ensure that its financial management is adequate and effective, and that the Council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.

3.2 The Council must conduct a review at least once a year of the effectiveness of its system of internal control. Following the review this Committee must approve an Annual Governance Statement, which must accompany the Statement of Accounts, and must be prepared in accordance with proper practices in relation to internal control.

3.3 The Annual Governance Statement for 2011/12 is attached at Annex 1 and has been developed based upon the requirements and guidance received from CIPFA.

3.4 The arrangements that are reviewed within the Annual Governance Statement are those **that were in place for the 2011/12 financial year**. Following the meeting of Policy and Finance Committee on the 12 June 2012 changes have been implemented as part of the Localism Act 2011, particularly around Code of Conduct and the Standards Committee. These changes will take effect from 17 July 2012 following ratification by Full Council. In addition, the Council's Overview and Scrutiny Committee was disbanded in April 2012, following implementation of the Localism Act, which gave Council's greater freedom in agreeing their governance arrangements

4 RISK ASSESSMENT

4.1 The approval of this report may have the following implications:

- Resources – None
- Technical, Environmental and Legal – The Annual Governance Statement is a requirement under the Accounts and Audit (England) Regulations 2011.
- Political – None
- Reputation – The Council must ensure that it has a sound system of internal control in place.
- Equality & Diversity – None

5 CONCLUSION

5.1 As can be seen in the Annual Governance Statement as attached as at Annex 1, there are no significant governance issues to report. It can therefore be concluded that there is a sound system of internal control in place.

5.2 With the implementation of changes under the Localism Act 2011, there will be further governance changes around Code of Conduct and the Standards Committee in the 2012/13 financial year from 17 July 2012.

6 RECOMMENDED THAT COMMITTEE

6.1 Approve the Council's Annual Governance Statement 2011/12, which is attached at Annex 1.

AMY GASKELL
SENIOR AUDITOR

JANE PEARSON
DIRECTOR OF RESOURCES

AA10-12/AG/AC
18 June 2012

BACKGROUND PAPERS: None

For further information please ask for Amy Gaskell, extension 4443.

Annual Governance Statement

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, facilitating 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 *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.ribblevalley.gov.uk or can be obtained from the Council Offices. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 and 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 2012 and up to the date of approval of the annual report and statement of accounts.

The governance framework

Establishing and Monitoring the Achievement of Objectives

The Council's vision, priorities and objectives are clearly set out in the approved Corporate Strategy document 2011 - 2015, which is available to view on the Council's website.

The Strategy is reviewed on an annual basis, and is derived following Community consultation and has full regard for partnerships and government priorities.

The Corporate Action Plan sets out underlying actions that have been established in order to support, and measure progress towards the achievement of the Council's objectives detailed in the strategy.

The Conduct of Behaviour

The standards of ethical behaviour expected from Members and Staff are defined in codes of conduct that are distributed as part of the induction process. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.

The procedures for the public to follow in order to register a complaint regarding the deliverance of the Council's services or a breach of the member's code of conduct are detailed on the Council's website.

The Council is committed to the highest possible standards of openness, integrity and accountability. In line with this commitment the Council has adopted a whistle-blowing policy to encourage employees and others with serious concerns to come forward in confidence.

Policy and Decision Making

The Council is committed to informing, consulting and involving local people in decision-making.

The Council has in place a community consultation and engagement website in collaboration with four other east Lancashire local authorities, LCC and East Lancashire PCT. The objective of the website, which can be accessed at www.feedbackonline.org.uk is to provide local information and opportunities that will help to improve the quality of life, and develop understanding and awareness of public sector services and activities. The website includes an electronic petition facility in accordance with the Local Democracy, Economic Development and Construction Act 2009.

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is published on the Council's website.

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

Committee meetings are open to the general public except where personal or confidential matters are being disclosed and Committee minutes and agendas are publicised on the Council's website.

Included in the Constitution are the terms of reference for Committees and a protocol for Member/ Officer relations.

The roles and functions of the head of paid service, monitoring officer and chief financial officer are set out in the Constitution.

The arrangements in place for the discharge of functions by specific officers under delegation are set out in the Officer Delegation Scheme.

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
- Member and Officer training and development

The Council has designated the Head of Legal & Democratic Services 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 risk 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.

Key policies and procedure documents are distributed to Members and Officers during the induction process. Up to date electronic copies are available to view on the Council's internal website.

Officer training needs are identified during performance appraisals. There is a thorough Members training and development plan in operation that reflects the requirements of a modern Councillor.

The Council's Constitution and procedural notes/ manuals are reviewed periodically to ensure continued compliance with changing laws and regulations, and internal policies and procedures.

The Council's anti-money laundering policy recognises its obligation to establish formalised internal procedures to prevent its services in the use of money laundering. The policy has recently been reviewed and was approved by Policy & Finance Committee at their meeting in June 2012.

The Treasury Management Strategy for 2012/13 was approved by Policy & Finance Committee in March 2012. The Strategy reflects revisions to the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities, ensuring continued compliance with statutory regulations and a professional code of conduct in all treasury management activities (CIPFA's Professional Code of Practice on Treasury Management).

The Council has recently adopted a 'Request to Enter into a Partnership Arrangement' form. The purpose of the form is to ensure that consistent information is obtained for all future partnerships that the Council enters into. The lead officer for the partnership is also required to confirm that the Council's financial regulations and contract procedure rules will be adhered to.

Risk Management

The Council has embedded a robust structure and system for identifying, evaluating and monitoring all significant business risks at both strategic and operational levels.

The Leadership Team receive monthly risk management updates and areas of high risk are reported promptly to Accounts and Audit Committee for scrutiny.

The Council has a risk management policy in place which is published on the Internet.

Economy, Efficiency and Effectiveness

Policy and Finance Committee approved the Council's medium term financial strategy (2012 - 2015) in February 2012. This strategy helps to ensure that financial resources available to the Council are sufficient to support the delivery of priorities, and to plan sustainable services and budgets. The financial strategy includes a budget forecast that is reviewed annually.

Budget setting, control and reporting requirements are set out in the Council's Financial Regulations, which have full regard to internal and external regulations and relevant codes of practice.

Capital and Revenue budgets are monitored closely and reports on budget allocations and expenditures are submitted to the leadership team each month and to relevant Committees each quarter. Budget Working Group minutes are reported to Policy and Finance Committee periodically.

Financial Management

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

The management structure of the Council ensures that the Chief Financial Officer reports directly to the Chief Executive and is a member of the leadership team with direct responsibility for the Council's financial activities. The leadership team meet on a weekly basis to discuss matters of strategic and operational importance to the Council.

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council maintains a sound Internal Audit function that operates to the standards set out in the 'CIPFA Code of Practice for Internal Audit in Local Government in the UK'.

The Council's internal audit arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations.

Internal Audit report four times annually to the Accounts and Audit Committee and are a prime source of assurance to the Council 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 has established a performance management and strategic planning framework for detailed planning, implementation and monitoring of the Corporate Strategy.

Mechanisms in place for the monitoring of performance include:

- Quarterly monitoring of performance indicators by the leadership team;
- Improvement and Statutory Reviews (for example by the Benefits Inspectorate); and
- Quarterly monitoring of performance indicators by Overview & Scrutiny Committee

The Council uses a bespoke performance management software system to measure progress towards the achievement of individual performance targets and their combined effect on the accomplishment of corporate objectives.

Reports produced by the system demonstrate progress towards the achievement of performance indicators in terms of trends and percentage variances against target.

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.

Corporate Level Review

The Corporate Management Team consisting of the following officers during 2011/12 oversees the compilation of the Annual Governance Statement.

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

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 Head of Legal and Democratic Services 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).

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.

Use of Resources – 'Protecting the Public Purse'

A Use of Resources checklist issued by the Audit Commission entitled 'Protecting the Public Purse' was completed during the year.

Authorities were encouraged to use the checklist to ensure that they have sound governance and counter-fraud arrangements in place and that they are working as intended.

The purpose of the checklist is to ensure that Council's are doing all that they 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 whistleblowing 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

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

On behalf of Ribble Valley Borough Council

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Chief Executive