

AUDIT COMMITTEE	AGENDA ITEM No. 7
1 NOVEMBER 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Collins, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

ANNUAL GOVERNANCE STATEMENT - UPDATE

RECOMMENDATIONS	
FROM : John Harrison, Executive Director: Strategic Resources	Deadline date : N/A
<p>1. The Committee is asked to:</p> <p>a) Note the progress on the significant governance issues reported in the Annual Governance Statement 2009 / 2010; and</p> <p>b) Consider whether additional areas of assurance are required.</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee in line with its agreed Work Programme for 2010 / 2011.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Annual Governance Statement (AGS) explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2003, as amended by the Accounts & Audit (Amendment) Regulations 2006, which require the Council to publish an AGS. This is included within the annual Statement of Accounts.
- 2.2 This report is for Committee to consider under its Terms of Reference No. 2.2.16 *To oversee the production of the authority's Statement of Internal Control and to recommend its adoption.*

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. CURRENT POSITION

- 4.1 The AGS included within the Statement of Accounts for 2009 / 2010 was first brought before Audit Committee in June 2010. Following its approval this was subject to audit and verification by PricewaterhouseCoopers. They endorsed the AGS within their report to Committee on 27 September 2010 (Report 3: Pages 97–111).
- 4.2 Some 6 months have elapsed since the original statement, and a number of governance changes have occurred, or are in the process of changing across the council which will need to be reflected in the next Statement. In addition, progress has also been made on the key governance issues identified at the time.

4.3 Emerging Issues during 2010

Since March 2010, there has been a change in Government and a number of issues emanating from the coalition government potentially will have an impact on the governance arrangements with the Council, in the current year and subsequent years. These include:

Constitutional Areas

- “Big Society”. There are proposals for a push on public service reform, including the removal of centralised bureaucracy and more community empowerment. A greater level of transparency will be a key achievement. This localism should remove central control and determine local spending priorities. Governance arrangements will need to be reviewed to ensure that these can be delivered;
- Public Health provision. The coalition government has produced a White Paper highlighting proposals to abolish Primary Care Trusts and look into the potential to transfer responsibilities for public health improvement to councils to enable increased coordination around health and social care integration;
- Closure of a number of “quangos”, together with the removal of regional government offices which impact on the funding, coordination and delivery of services within the eastern region. Furthermore, with the proposed abolition of the Audit Commission, this will have some bearing on future arrangements for the appointment and work of the external auditors reviewing the financial spending at councils;
- A Strong leader and Cabinet style. Cabinet on 29 September 2010 recommended to Council that it adopts the Strong Leader and Cabinet Style of Executive Arrangements to take effect from May 2011;
- Publishing of all expenditure items greater than £500, to provide greater transparency and value for money on local authority spending; and
- Standards in public life – changes to the delivery and monitoring of member standards which may impact on Standards Committee remit.

Spending Review and Austerity Budget

- Cabinet on 29 September 2010 received details of the approach to be adopted by the Council to establish reasonable adjustments to its Medium Term Financial Strategy to accommodate future spending levels. This preparation is a lot earlier than previous years and has been undertaken to coincide with the Spending Review so that the Council is in a better position to react. Further details will be provided to Cabinet on 8 November 2010. Significant changes could impact on the governance arrangements for the Council.

4.4 Progress on Governance Issues Identified In Annual Governance Statement

Area For Improvement	Progress To Date
<p><u>Sickness Absence</u> With reductions in the workforce, there is the potential for additional pressures on remaining staff to deliver services. If not carefully managed, there could be an increase in sickness levels. The Council has developed revised procedures to tackle sickness throughout the organisation. To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.</p>	<p>Monthly reports to Corporate and Departmental Management Teams. Ongoing use of Occupational Health to coordinate return to works etc. for officers who have been off for longer periods of time. Robust systems in place for managers to follow in order to monitor, act on and report absences,</p> <p>Internal Audit included this within their Audit Plan activities for 2010 / 2011. The review is about to be commissioned.</p>
<p><u>Effective Recruitment Checks</u> To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work</p>	<p>Quarterly reports are produced and circulated to all departments. Recent legislative changes impact on recruitment, e.g. UK Border Agency Regulations and the Asylum & Immigration Act.</p> <p>Internal Audit included this within their Audit Plan activities for 2010 / 2011. The review has been commissioned (excluding schools who receive HR services via an external provider) and is due to report on shortly.</p>
<p><u>Shared Services/Other Delivery Options</u> The council is embarking on a programme of shared services and other delivery options which are expected to generate financial savings and other benefits. A controlled programme has been developed which will monitor the implementation and delivery of services through these arrangements.</p>	<p>Governance arrangements adopted for monitoring of ICT contract.</p> <p>Other service provision has seen the Leisure Trust created in May 2010; the announcement on 14 October that two companies – Amey and Enterprise – are left in the running to form a strategic partnership to deliver household waste and recycling collection, street cleaning and grounds maintenance; and the marketing of back office functions to other councils.</p> <p>Robust governance arrangements will be required to ensure service delivery is met.</p>
<p><u>Grants</u> The council should review the reasons for qualifications in its grant claims, and take steps to ensure relevant matters are addressed in future years.</p>	<p>Robust internal checks are in place to coordinate claims. Greater ownership is required by those committing the expenditure to ensure adequate audit trails are maintained and that expenditure meets the grant criteria.</p>
<p><u>Neighbourhood Councils</u> Further engagement with local communities is required with regard to determining strategic priorities and financial planning.</p>	<p>To ensure appropriate governance arrangements are being followed, a separate review will be commissioned.</p>
<p><u>Data Quality</u> The Strategic Improvement Division should ensure that key data and performance information is reviewed and that action is taken to address weaknesses</p>	<p>Policy is now in place and monitoring in place to ensure improved data capture and interpretation.</p>
<p><u>Managing Resources</u> The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year</p>	<p>Links in with austerity budget work commissioned as identified above.</p>

5. CONSULTATION

5.1 The update has been discussed with the Head of Corporate Services.

6. ANTICIPATED OUTCOMES

6.1 Inform Audit Committee of the processes in place to mitigate risks for the delivery of the council's objectives.

7. REASONS FOR RECOMMENDATIONS

7.1 In accordance with best practice, Audit Committee is expected to be informed in the preparation of, and monitoring against the Annual Governance Statement.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None

9. IMPLICATIONS

9.1 None

BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Accounts and Audit Regulations

Statement of Accounts: Annual Governance Statement 2009 / 2010