

Annual Governance Statement

Scope of responsibility

Watford 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. Watford Borough 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, Watford Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the exercise of its functions, and which includes arrangements for the management of risk.

Watford Borough Council has approved and adopted a 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.watford.gov.uk or can be obtained from the Head of Legal and Democratic Services. This statement explains how Watford Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 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, 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 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 Watford Borough Council for the year ended 31st March 2008 and up to the date of approval of the Statement of Accounts.

The governance framework

The key documents are included in the council's Constitution. This sets out how the council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules. It also sets out the rights of citizens. A wide range of detailed policy and procedure documents supplement this for operational use by officers. Both the Constitution and these supplementary documents are kept under review and updated as necessary. Training is provided for Members and staff on relevant changes.

Council, Cabinet and Committee meetings are open to the public and written reports are available to the public through the website. Information is only treated as confidential when it is necessary to do so for legal reasons or as a matter of proper practice.

Each year, the full council meeting sets key policies and objectives, including the corporate plan and the budget, as well as individual strategies for key activities.

The council publishes its Corporate Plan, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on the Community Plan agreed by the Local Strategic Partnership, One Watford, and by consultation and surveys carried out on a range of topics. Feedback from members, the public and external review organisations is also taken into account.

The corporate plan is publicised, published on the council's website and distributed in hard copy to various premises. Progress on the plan is reported to the public through About Watford, including an annual summary of achievements.

The Mayor and Cabinet form the Executive and are responsible for ensuring that the council's plans are carried out by officers.

Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from Members include comments on financial, legal and other appropriate issues such as potential risks, to ensure that comprehensive advice is provided. Policy Development Scrutiny Committee considers selected topics and advises Cabinet on its findings. Call-in and Performance Scrutiny may review Cabinet decisions as well as reviewing performance. Budget Panel considers the draft budget proposals made by Cabinet and other financial matters..

Monitoring reports on the achievement of service improvements and financial performance are submitted to Cabinet meetings and to the Call-In and Performance Scrutiny Committee. In addition, Cabinet Members, in their capacity as Portfolio Holders with specific responsibilities, hold quarterly meetings with Heads of Service to review performance.

The council seeks to ensure the economic, effective and efficient use of resources and to secure continuous improvement through:

- o work carried out as part of the annual budget process
- o project appraisal and formal project management for major schemes
- o undertaking Best Value and managerial reviews
- o implementing the recommendations of Internal Audit
- o implementing the recommendations of external auditors and inspectors
- o the adoption of best practice where cost-effective
- o modernisation of working practices
- o consultation with the public and staff
- o partnership working with companies and other public bodies
- o setting challenging targets for improvement

Budget monitoring reports are submitted to Cabinet periodically. Senior officers, Cabinet members and members on the Budget Panel receive monthly monitoring reports.

Compliance with established policies, procedures, laws and regulations is achieved through a combination of: training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal audit and use of the disciplinary procedure where appropriate. Officers are subject to the Code of Conduct for Council Employees and the standards of any professional bodies they belong to.

Members are subject to a Code of Conduct and the Standards Committee has a key role in promoting and maintaining high standards of conduct for members.

The Head of Legal & Democratic Services is the Council's Monitoring Officer and her duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

The Director of Finance is the statutory Chief Finance Officer. Her duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the Mayor, councillors and officers on the Budget and Policy Framework or issues of maladministration, financial impropriety or probity.

The council's internal audit team carry out a programme of reviews during the year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements.

External auditors, appointed by the Audit Commission, provide an external review function through the audit of the annual accounts, assessment of the Use of Resources, value for Money and the Direction of Travel and through periodic inspection of services. The Annual Audit and Inspection Letter is circulated to all Members and formally reported.

The council has a complaints procedure, and reports on complaints are circulated to senior officers and discussed at quarterly review meetings. A Whistle-blowing policy is also in place.

The Council has established an Audit Committee which operated throughout 2007/08. Its terms of reference are consistent with CIPFA's guidance. It approved the annual audit plan of internal audit, and receives the quarterly and annual reports of the Audit Manager. It approves the Statement of Accounts, the annual governance statement and the review of the effectiveness of the internal audit system. It receives reports on risk management and other governance issues.

The 2007/08 Statement of Accounts has been approved by the Audit Committee.

Key partnership arrangements are controlled by agreements appropriate to the nature and purpose of the partnership in question. Any significant risk attributable to these partnerships is recorded in the council's risk registers.

Review of effectiveness

Watford 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 the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

Key elements of the process of maintaining and reviewing the effectiveness of the governance framework over the past year (from 1st April 2007 to the publication of these accounts) are as follows:

The Council:

- Received the Audit Commission Comprehensive Performance Assessment report

- Amended the Constitution to incorporate Neighbourhood Forums to replace Area Committees and make other improvements, on the advice of the Constitution working party
- Considered a report on a finding of maladministration against the Council issued by the Ombudsman and agreed appropriate remedies.
- Considered reports on the implications for the Standards Committee of local investigations
- Approved the Council's Budgets and other key strategy plans, including the transfer of the council's housing stock to Watford Community Housing Trust

The Cabinet:

- Has considered and proposed key strategy plans for Council approval
- Has agreed operational strategies and plans
- Reviewed budget monitoring reports
- Considered reports from Scrutiny Committees
- Approved an improvement plan arising from the Comprehensive Performance Assessment, to enable the Council to achieve excellence.

and the Mayor and Portfolio Holders maintained continuous review of the council's policies and activities, including performance monitoring.

Council Functions Committee:

- Has approved various new and amended policies, mainly on employment issues
- Has approved the Managing Director's proposals to amend the officer structure to meet the needs of the council in the future

Audit Committee:

- Has approved the Internal Audit Service Plan and Annual Work Plan, considered the team's compliance with best practice and reviewed the terms of reference for internal audit
- Has received progress reports from the Audit Manager and his Annual Report, including his assessment of the adequacy of internal control
- Has received progress reports on Risk Management, including reviews of the risk management strategy and the corporate risk register
- Has reviewed the adequacy of the system of internal audit
- Has approved a revised Corporate Anti-Fraud and Corruption Strategy, including the Whistle-blowing Policy and received a report on anti-fraud work
- Approved the annual Statement of Accounts and annual governance Statement
- Considered reports on Health & Safety
- Received the annual governance report on the accounts from the external auditors
- Received the annual letter from the Ombudsman

- Considered the annual audit and inspection letter from the Audit Commission
- Reviewed requests made under the Freedom of Information Act

Standards Committee

- Has considered the implications of carrying out local investigations and reported to Council on the need for additional members as a result
- Received a report on the final version of the Code of Conduct and the training provided for members on it
- Has considered a report on issues raised at the Standards Board for England conference
- Has considered its first assessment under the local investigation arrangements

Scrutiny Committees

- Reviewed a range of activities and reported to Cabinet on suggestions for improvement
- Considered reports on performance monitoring
- Held two “call-in” meetings on Cabinet decisions
- Considered the approach to Members’ performance and made recommendations to Cabinet
- Considered Cabinet’s budget proposals
- Considered the Audit Commission report following the latest Comprehensive Performance Assessment
- Have reviewed community engagement and proposed Neighbourhood forums to replace Area committees
- Considered some benchmarking work

Internal Audit:

- Have carried out a programme of audits throughout the year across the council’s range of activities, achieving 88% of the audit work set out in the annual plan for 2007/08
- All internal audit staff are suitably experienced and qualified and work in accordance with CIPFA standards
- The Audit Manager, in his report to the Audit Committee in June 2008, concluded that, based on the work done by internal audit, the internal control environment is effective. A number of recommendations for improvement were identified and have been taken into account in below.
- There were no reports reporting no assurance and six with limited (i.e. inadequate) assurance. Managers have accepted audit recommendations and none is considered sufficiently serious to warrant separate reference in this Statement.

The Audit Commission:

- Issued its Annual governance report in September 2008. The council's accounts were unqualified. The Statement on Internal Control was found to be in line with proper practices and consistent with the auditors' own findings. The arrangements for securing economy, efficiency and effectiveness were reviewed and received an unqualified report. An Action Plan to improve the quality of the accounts was agreed and has been implemented since.
- Conducted a Comprehensive Performance Assessment and reported in July 2007 that the council is now assessed as "Good".
- Carried out an assessment against the Use of Resources standards. The council continues to be assessed as a "2", which is adequate.
- Issued its annual Audit and Inspection Letter in March 2008. This largely reiterates the points made in its earlier reports, with the addition of a Direction of Travel statement that acknowledges the substantial improvements made by the council. An action plan to address improvements needed has been approved by the Audit Committee.

Other External Review mechanisms

- The Legal service has successfully retained its Lexcel status

These activities are consistent with the expectations of the governance environment outlined above.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement is in place.

Significant Governance Issues

The following significant issues have been identified as a result of review, with target dates for correction.

No.	Issue	Action	Lead
1	Business Continuity Plan <i>This was identified last year and is not yet complete in all services</i>	Implement the Action Plan to make the current BCP more robust By 30/9/08	Head of Strategic Services, specific Heads of Service and Risk Management Group
2	Arrangements for managing software changes <i>Also outstanding from last year</i>	Need to improve controls and ensure they are used By 30/9/08	Head of Business Information Services

3	Quality of Budget Monitoring	Monitoring needs to be more robust and a better guide to likely out-turn By 31/3/09	Director of Finance/ Shard service
---	------------------------------	--	---------------------------------------

Items identified last year that have been implemented

Benefit Fraud Inspectorate report	Action plan completed and ongoing issues being embedded
Payroll Service – long-term resilient solution required	Shared payroll service being put out to tender, although an in-house bid is to be made

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....

Mayor Managing Director

Date Date