

THREE RIVERS & WATFORD SHARED SERVICES JOINT COMMITTEE

Date of meeting: 28 June 2010

PART A

AGENDA ITEM

8

Title: **ANNUAL GOVERNANCE STATEMENT 2009/10**

Report of: Head of Finance Shared Services

1. SUMMARY

- 1.1 This report enables the Committee to agree the Annual Governance Statement (AGS) for inclusion in the Statement of Accounts.

2. RECOMMENDATIONS

- 2.1 That the Committee considers and approves the Annual Governance Statement attached as Appendix 1 for inclusion in the Statement of Accounts.

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Report approved by:

David Gardner – Director of Resources and Governance – Three Rivers DC

3. DETAILED PROPOSAL

3.1 *The Accounts and Audit Regulations (England) 2003* as amended by *The Accounts and Audit (Amendment) (England) Regulations 2006* requires the Three Rivers and Watford Shared Services Joint Committee to:-

- Ensure that it has a sound system of internal control;
- Conduct a review at least once a year of the effectiveness of its system of financial control;
Consider the findings of the review (either at a committee meeting or at Council) and, following that consideration, approve a statement on internal control (SIC) prepared in accordance with proper practices, and,
- Include the SIC with the Statement of Accounts.

3.2 In June 2007, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published the Framework *Delivering Good Governance in Local Government*. This recommended that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement. The Framework informed authorities in England that its provisions were mandatory from 2007/08.

3.3 The 2008 *Code of Practice on Local Authority Accounting in the UK – Statement of Recommended Practice* (SORP) states that the preparation of an Annual Governance Statement in accordance with *Delivering Good Governance in Local Government* fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review in its Statement of Accounts.

3.4 The SORP and the CIPFA/SOLACE Framework say that the AGS should include the following information:-

- An acknowledgement of responsibility for ensuring there is a sound system of governance incorporating the system of internal control
- An indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide
- A brief description of the key elements of the governance framework, including reference to group activities where the activities are significant

A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of

- The Council
- The Executive
- The Audit Committee
- The Scrutiny Function
- The Standards Committee
- Internal Audit
- Other explicit review / assurance mechanisms

An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

3.5 It is important that there is corporate involvement in, and ownership of, the process for preparing the Annual Governance Statement, and members will note that assurances have been sought from all service heads in both Councils, including those responsible for shared services.

3.6 The proposed AGS for 2009/10 is attached at Appendix 1.

4. **IMPLICATIONS**

4.1 **Policy**

4.1.1 The recommendations in this report are within the Councils' agreed policy and budgets. The Councils' commitment to good governance is included in their Local Code of Corporate Governance.

4.4 **Risk Management and Health & Safety**

4.4.1 There are no risks associated with the decision Members are being asked to make. Internal controls are designed to minimise the risks to the Council.

4.5 **Equalities**

4.5.1 *Relevance Test*

Has a relevance test been completed for Equality Impact? No

There is no proposed change to the shared services.

4.6 **Financial, Legal, Staffing, Accommodation, Community Safety, Sustainability & Environment, Communications & Website and Customer Services**

4.6.1 None specific.

Background Papers

Three Rivers report to Audit Committee on 31 March 2010 - *Audit & Internal Control – Annual Governance Statement 2009/10*

Watford Borough report to Audit Committee 30 June 2010 - *Annual Governance Statement*

'Delivering Good Governance in Local Government – Framework' : Solace / CIPFA

'Delivering Good Governance in Local Government – Guidance Note for English Authorities' : Solace / CIPFA

Local Code of Corporate Governance – Three Rivers District Council

Local Code of Corporate Governance – Watford Borough Council

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

The Three Rivers and Watford Shared Services Joint Committee 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 Joint Committee 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 Joint Committee is responsible for putting in place proper arrangements for the governance of affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Three Rivers District Council and Watford Borough Council have approved and adopted codes of corporate governance, which are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. Copies of both codes can be found on the websites for Three Rivers (<http://www.threerivers.gov.uk/Default.aspx/Web/CorporateGovernance>) and Watford (<http://www.watford.gov.uk/ccm/content/finance/local-code-of-corporate-governance.en>) or be obtained from the councils.

These statements explain how the Councils have complied with the code and also meet 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.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Joint Committee is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Joint Committee 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 Joint Committee'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 described in the reports to Audit Committees in Appendix 1 for Three Rivers and Appendix 2 for Watford have been in place at the Councils for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements are:-

- Identifying and communicating the Councils' vision of the Shared Services Joint Committee's purpose and intended outcomes for citizens and service users.
- Reviewing the Council's vision and its implications for the governance arrangements of the Shared Services Joint Committee.
- Measuring the quality of services for users and ensuring they are delivered in accordance with the Joint Committee's objectives for ensuring they represent the best use of resources.
- Defining and documenting roles and responsibilities of the Joint Committee and officer functions with clear delegation arrangements and protocols for effective communication.
- Developing, communicating and embedding codes of conduct for standards of behaviour for members and staff.
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes which clearly define how decisions are taken and the process and controls to manage risks.
- Undertaking the core functions of an audit committee as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistle-blowing and arrangements for receiving and investigating complaints from the public
- Identifying the development needs of members and senior officers
- Establishing clear channels of communication with all sections of the community
- Incorporating good governance arrangements in respect of partnerships

4. Review of Effectiveness

The Joint Committee 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 who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Councils have procedures in place to ensure the maintenance and review of the effectiveness of the governance frameworks which includes reports to and reviews by the following –

- The Audit Committee of Three Rivers, the Audit Committee of Watford and the Standards Committee of each Council.
- Internal Audit and External Audit

- Other review / assurance mechanisms

5. Significant Governance Issues

5.1 *Three Rivers District Council*

The Council proposes over the coming year to take steps to address the following matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements that were identified in its review of effectiveness and will monitor their implementation and operation through regular reporting to the Audit Committee.

<i>Action</i>	<i>Priority</i>	<i>Responsibility</i>	<i>Action to date / Action Required</i>	<i>Resolved</i>	<i>Original Implementation Date</i>
The Business Continuity Plan should be regularly tested and particularly in respect of Shared Services	Medium	Emergency Planning & Risk Manager		x	March 2011
Committees should undertake periodic reviews of their own effectiveness.	Medium	Democratic Services Manager		x	March 2011
The Audit Committee should continue to receive progress reports from officers on the implementation of internal audit, external audit and other inspectors' recommendations.	High	Heads of Service		x	March 2011
The introduction of new International Financial Reporting Standards should be monitored by members	High	Head of Finance		x	March 2011

5.2 **Watford Borough Council**

The Council proposes over the coming year to take steps to address the following matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements that were identified in its review of effectiveness and will monitor their implementation and operation through regular reporting to the Audit Committee.

No.	Issue	Action	Lead	Update
1	Revenues and Benefits reconciliations between ICT systems urgently need to be addressed both for 2009/2010 and going forward.	Staff resource needs to be dedicated to carrying out these reconciliations if the Council is to close its accounts on time and also avoid significant clawback of housing benefit subsidy. BY: Immediate	Head of Revenues and Benefits Shared Services.	Progress is extremely slow and this is a major concern both reputationally and financially.
2	Revenues and Benefits brought forward figures from the previous software system to the new Academy system need to be fully reconciled.	Staff resource (or external agency help) needs to be dedicated to this task. By: Immediate	Head of Revenue and Benefits Shared Services	Progress is slow and, if not achieved, will result in claw back of housing subsidy.
3	Full controls need to be implemented within the new Northgate Payroll system.	Inevitable teething problems have resulted in initial errors. Full procedure notes need to be established. By 30/6/10	Head of Human Resources Shared Services	Considerable progress has been made
4	The ICT Operating platforms need to be more robust.	The resilience of the system is unreliable and has caused considerable downtime. By 30/9/2010	Head of ICT Shared Services	A programme of necessary improvements has been established.
5	Business Continuity Planning needs to be given a higher profile with more 'scenario' exercises being carried out.	Recent failures of area and local networks has highlighted the authority's dependence upon ICT systems being available. By: 30/9/2010	Head of Strategic Finance (as lead officer for Risk Management) and Leadership Team.	Scenario Planning exercises need to be scheduled during the summer months.

Signed _____ Chairman of the Three Rivers and Watford Shared
Services Joint Committee
Andy Wylie

Date: 28 June 2010

Signed _____ Chief Executive, Three Rivers District Council
Dr Steven Halls

Date: 28 June 2010