

TITLE	Annual Governance Statement 2011/12
FOR CONSIDERATION BY	Audit Committee on 26 September 2012
WARD	None Specific
STRATEGIC DIRECTOR	Muir Laurie, Director of Business Assurance & Democratic Services

OUTCOME / BENEFITS TO THE COMMUNITY

The Accounts and Audit (England) Regulations 2011 require authorities to operate “a sound system of internal control” and for this to be regularly reviewed. Linked to this, all Councils are legally required to publish an Annual Governance Statement (AGS) as part of the Statement of Accounts.

The purpose of the AGS is not just to comply with the legal requirement, but also to provide a transparent and accurate representation of the Council’s governance arrangements during 2011/12 and highlight issues that the Council wishes to improve.

RECOMMENDATION

The Audit Committee is asked to consider and approve the revised draft AGS on behalf of the Council, prior to it being signed by the Leader of the Council and the interim Chief Executive and included in the final Statement of Accounts.

SUMMARY OF REPORT

The draft AGS was previously brought to Audit Committee for approval on 28 June. Following further consideration by the Chief Executive and Leader of the Council, there have been some minor revisions to paragraphs 5.2.4 and 5.3.1 to reflect management action taken to mitigate the highlighted risks and issues.

Background

The AGS covers the following key aspects of the governance environment in place at Wokingham Borough Council during 2011/12:

- Establishing and monitoring the achievement of the Council’s objectives;
- Facilitation of Policy and Decision-making;
- Financial Management;
- Performance Management; and
- Risk Management.

It also comments on the effectiveness of the Council’s governance arrangements including the system of internal control and the effectiveness of internal audit. It identifies areas of significant governance weaknesses that the Council intends to address to further improve the governance framework in place. This demonstrates the Council’s commitment to openness and transparency.

The AGS has been produced by the Corporate Governance Group following consideration of a number of Management Assurance Statements (MAS) produced by Strategic Directors and Directors. All MAS's have been signed by the relevant Strategic Director/Director and Executive Lead Member to provide accountability and assurance to the Chief Executive and Leader of the Council, who are legally required to sign the AGS following consideration and approval by Audit Committee.

Once the AGS has been formally adopted by Audit Committee, governance disclosures detailed in Section 5 of the AGS will be managed within the appropriate risk register to provide for clear accountability, reduced bureaucracy and to assist in further embedding risk management within the council.

Analysis of Issues

See above.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

Not applicable.

Cross-Council Implications (how does this decision impact on other Council services and priorities?)

Not applicable.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

None.

Contact Muir Laurie	Service Business Assurance
Telephone No 0118 974 6508	Email muir.laurie@wokingham.gov.uk
Date 25 July 2012	Version No. 1



ANNUAL GOVERNANCE STATEMENT 2011/12

1. Scope of Responsibility

- 1.1 Wokingham 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.
- 1.2 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 which includes arrangements for the management of risk.
- 1.3 Wokingham Borough Council has a local code of corporate governance (LCCG), which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". The LCCG was formally adopted by the Audit Committee on 27 July 2010. This statement explains how Wokingham Borough Council meets the requirements of the Accounts and Audit Regulations.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, procedures, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable 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 not be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Wokingham Borough Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3. The Governance Environment in Place at Wokingham Borough Council

3.1 Establishing and monitoring the achievement of the Council's objectives

There has been significant focus on the Council's purpose and outcomes for service users and a new vision has been created. This incorporates developments for a new strap line, principles and priorities, which have now been finalised and approved by Council, and will begin to take effect for the coming year.



- 3.2 The corporate plan has not been operational during 2011/12 given the significant work undertaken in developing a new vision, but has now been refreshed on an interim basis and will be implemented in 2012/13.
- 3.3 The Council's performance management processes and guidance have been subject to review during 2011/12 and it is intended that performance indicators to address new corporate priorities will be developed in service areas as part of the service planning process for 2012/13. Performance will be reported on this basis rather than through a central performance management framework.
- 3.4 The Facilitation of Policy and Decision Making
- The Council has a written constitution, as required by the Local Government Act 2000. For the financial year 2011/12 it was based on the Executive – Leader/Cabinet Model. The Executive acted collectively and as individuals in accordance with the relevant protocol agreed in 2006. In December 2010 the Council agreed to adopt, from May 2011, the new Leader/Cabinet Executive Model as set out in the Local Government and Public Involvement in Health Act 2007. The constitution is divided into sections which include articles which set out the basic rules governing the Council's business and more detailed procedures, codes of practice, rules of procedure and protocols. These include: Executive Procedures Rules; Overview and Scrutiny Procedures Rules; Members Code of Conduct; Protocol on Member/Officer Relations, Access to Information Procedure Rules as well as the Scheme of Delegation to Officers and the Council's Financial and Procurement Rules.
- 3.5 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. The Council publishes a forward plan and a schedule of meetings that provides a programme for Executive decisions. A major review of the constitution was completed and implemented in May 2006 with reviews and updates to the constitution undertaken on an annual basis thereafter. Members and officers can also propose changes throughout the year to the Council's constitution. All proposed changes are considered in advance of Council approval by the Constitution Review Working Group.
- 3.6 The Council has a robust decision making process which provides for both Executive and individual Executive decisions. Individual Executive decisions are taken in accordance with chapter 5.5 of the Council's constitution. All decisions are advertised and are supported by a formal public report which is produced five working days in advance of the decision being taken. All decision making meetings are public meetings. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements.
- 3.7 Policy is considered and formulated by Executive Members of the Administration, who are advised by senior officers. Supported policies are presented to Executive/Council for formal approval.
- 3.8 The Council has designated the Director of Legal and Electoral Services as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service (Interim Chief Executive) and Chief Finance Officer (Strategic Director of Resources), the Monitoring Officer will report to Council if it is considered 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. No such report has been issued during the 2011/12 financial year.

- 3.9 The Chief Executive (Interim) and Strategic Director of Resources are part of the Council's Corporate Leadership Team (Previously the Legacy Operations Board) and have access to all decision making meetings. The Director of Legal and Electoral Services (Monitoring Officer) is not a member of the Corporate Leadership Team but usually attends those meetings when the Executive reports are discussed and cleared, to ensure the legal, financial and policy framework is adhered to.
- 3.10 Through reviews by external auditors, external agencies, internal audit and various working groups, the Council continually seeks 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, having regard to a combination of economy, efficiency and effectiveness.
- 3.11 The Service and Finance Planning Guidance provide a context of the level of savings and efficiencies required to achieve a politically acceptable level of council tax increase. Considerable focus is given to reducing costs through effective procurement, reducing staffing through process re-engineering and new technology and alternative cost effective methods of service delivery. Investment to save or contain escalating expenditure is strongly encouraged.
- 3.12 The submission and evaluation of bids for additional resources (capital and revenue) are laid out in the Service and Financial Planning Framework. Bids are scrutinised by senior officers and evaluated against corporate priorities and then used to inform Member decisions. There are plans to revise this process during 2012/13.
- 3.13 The Medium Term Financial Plan (MTFP) provides a strategic overview of the Council's financial position over a three year period to provide a longer-term view. It includes the Council's resources requirements and performance targets (outputs) over the medium term. It also includes a service narrative, financial risk analysis, reserve policies and covers both revenue and capital. The MTFP incorporates the financial plans with our key partners over a three year period. This process has been recognised and promoted by CIPFA as best practice and by the Audit Commission across Berkshire.
- 3.14 The Financial Management of the Council and the Reporting of Financial Management
The financial management arrangements of the Council are brought together in the Financial Regulations and Budget Management Protocol which identifies roles, responsibilities, policies, procedures and processes.
- 3.15 The Corporate Leadership Team considers revenue and capital budget monitoring reports on a monthly basis, as do Executive Leads. This is supplemented by an informal Member/Senior Officer group (known as the Special Finance Group) that takes an overview of the Council's finances and directs action as appropriate. Executive formally considers the revenue and capital budget monitoring reports quarterly. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the Council.
- 3.16 The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the constitution (the Financial Regulations) and the Medium Term Financial plan (Budget Management Protocol). The Council has designated the Strategic Director of



Resources as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year Financial Strategy, updated annually to ensure resources are allocated effectively to best enable the delivery of the corporate priorities.

- 3.17 The Council maintains an Internal Audit function (part of the Business Assurance Section), which operates in accordance with the CIPFA and Chartered Institute of Internal Auditors International Standards. The Business Assurance Section reports quarterly to the Audit Committee on progress against the Internal Audit Plan and highlights any significant governance or internal control issues arising.
- 3.18 The Performance Management System of the Council and the Reporting of Performance Management
Performance management is laid out in the Performance Management Guidance. This is currently being revised and it is intended that performance management will no longer be a central function, but will be delivered through each service's service plan.
- 3.19 The Council prepares a series of performance reports on a monthly, quarterly and annual basis to provide a comprehensive picture of achievement. Whilst the Key Performance Indicator Report is still being produced, the Corporate Leadership Team are reviewing it's role given that it is intended that performance management be owned at a service level rather than through a central corporate function.
- 3.20 The Risk Management of the authority and the Reporting of Risk Management
A system is in place for the management of service and corporate risks. The process, roles and responsibilities of members, committees and staff are laid out in the Council's Enterprise Risk Management Policy. The Council has continued to embed an Enterprise Risk Management model for managing its risks (and opportunities) as detailed in its Enterprise Risk Management Strategy. A refresh of the Council's Risk Management Strategy & Policy will be required in 2012/13.
- 3.21 Members of the Audit Committee have received risk management training in year relevant to their role. Going forwards, refresher training is required for Senior Managers and Members of the Executive.
- 3.22 The Service and Financial Planning Guidance ensures that significant service and financial risks within the annual budget presented to Council for approval, are highlighted in the Chief Finance Officer's statutory report.
- 3.23 The Corporate Leadership Team has responsibility for the Corporate Risk Register and for refreshing this on a regular basis. This has been undertaken quarterly in the year. After each refresh, the Corporate Risk Register is presented to the Audit Committee and forwarded to Executive members for information and reference. All Strategic Directors/Directors are responsible for monitoring and co-ordinating risks in their service area and for producing a service risk register that is regularly refreshed and reviewed.
- 3.24 A Risk Management Group consisting of representatives from all service areas continues to meet quarterly. The group helps to facilitate the production and refresh of both service and team risk registers. The group is charged with collating the key and consistent risks from services,



teams and projects and then communicating this information to their Service Management Teams and/or Corporate Leadership Team for possible inclusion in the relevant risk register. This ensures that risks are considered both vertically and horizontally. Going forwards it is planned that risk registers will be aligned to (and embedded within) service plans.

4. Review of Effectiveness of Wokingham Borough Council's Governance Framework

4.1 Wokingham 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 Corporate Leadership Team, who have responsibility for the development and maintenance of the Council's governance environment;
- the Director of Business Assurance and Democratic Services' Annual Internal Audit Report; and
- comments made by the external auditors and other review agencies and inspectorates.

4.2 Responsibility for facilitating the production of the Council's Annual Governance Statement rests with the Director of Business Assurance and Democratic Services in liaison with the Corporate Governance Group. The draft Annual Governance Statement is considered by the Corporate Leadership Team and is subsequently reviewed and endorsed by the Audit Committee prior to presentation at Council as part of the audited financial statements.

4.3 The Internal Audit assurance levels on key areas of the internal control environment demonstrate that for 2011/12 a reasonable internal control framework has been maintained.

4.4 Review of the Effectiveness of the System of Internal Control

The Council has developed an Assurance Framework to maintain and review the system of internal control. Assurances are provided by a number of sources including Business Assurance Internal Audit and Investigations coverage, annual Management Assurance Statements, the Performance Management system, the Risk Management system, External Audit coverage and other external inspections (e.g. Ofsted and the Care Quality Commission).

4.5 The Director of Business Assurance and Democratic Services produces an Annual Internal Audit Report which is submitted to the Audit Committee and includes an opinion on the effectiveness of the system of internal control. The Internal Audit function is subject to review by External Audit (the Audit Commission) who place particular reliance on the Internal Audit work carried out on the Council's key systems.

4.6 Management Assurance Statements have been completed by the Council's 5 Strategic Directors and 3 Directors. All 8 Management Assurance Statements for 2011/12 have been agreed by the relevant Executive Lead Members and returned to the Corporate Governance Group for consideration as part of the process for compiling the Annual Governance Statement.

4.7 Review of the Effectiveness of Internal Audit

The Accounts and Audit (Amendment) Regulations 2009 require relevant bodies to review the effectiveness of their system of internal audit at least annually and to report this to their Audit Committee. A review of Internal Audit effectiveness was conducted in 2010/11 and concludes



that Internal Audit is effective and complies with the Chartered Institute of Internal Auditors International Standards.

- 4.8 The review found that controls are in place to ensure the delivery of high quality risk-based Internal Audits and resources are used effectively to meet the assurance needs of the Council. The review made some recommendations on areas which can be strengthened, but none of these raised concerns over the effectiveness of Internal Audit. The review was reported to Audit Committee on 29 June 2011. A follow-up of this review was carried out in 2011/12 and identified that all areas of weakness had been addressed.

5. Significant Governance Issues at Wokingham Borough Council

- 5.1 The Council's Corporate Governance Group (tasked with drafting the Annual Governance Statement) has been consulted on the implications of significant issues raised during our review of the effectiveness of the governance framework and system of internal control.

5.2 Corporate Risks and Issues

- 5.2.1 The uncertainty created by the announced departure of the Chief Executive has presented a number of governance challenges and organisational direction was reduced. The appointment of an interim Chief Executive creates the risk of short-termism and instability. However, the early indications are that this risk is being effectively mitigated.

- 5.2.2 There has been significant organisational and structural change during the Transformation Programme, presenting a weakness around clarity of roles and responsibilities. This should be addressed in the coming year, as the structure becomes more stable and the structural review of governance services has been finalised.

- 5.2.3 The 2010/11 Internal Audit review of Performance Management Audit raised a number of recommendations relating to a new Performance Management Framework for the Council. This included development of the 'Golden Thread' and linking Performance Management to Corporate Priorities. The Council's vision and priorities were refreshed this year and an interim Corporate Plan has been devised. Nevertheless, in the absence of a robust service planning process clearly aligned to a Corporate Plan there remains significant gaps in the Council's Performance Management Framework as at 31 March 2012.

- 5.2.4 Following the Council's implementation of smart working during 2011/12 there has been an increased risk of confidentiality issues and data security breaches (involving ICT and/or hard copy papers). Management has ensured that positive action has been taken to minimise this risk, but there remains a significant risk that breaches have occurred and have gone undetected. There is also opportunity for confidentiality issues and security breaches to transpire, mitigated through the awareness-raising for staff on data security and management vigilance.

- 5.2.5 As part of corporate project undertaken during 2011/12 it was identified that there is a lack of a standardised competitive dialogue procedure. This is in the process of being taken forward.

5.3 Service Risks and Issues

- 5.3.1 Resources: A significant control review and investigation was conducted in Property Services at the request of the Strategic Director of Resources. This resulted in the need to increase controls and undertake other management interventions. Considerable improvements and actions are now in place with an ongoing working group (including Business Assurance) to help ensure all



actions are completed and embedded in the service (with organisational solutions put in place where appropriate). It is expected that all control issues identified in the Property Service reviews are to be addressed through this group. Many actions have already been completed and communicated across the organisation, and where they have not been fully implemented to date, alternative controls are in place.

- 5.3.2 Business Assurance & Democratic Services: Although good progress has been made, there remains an issue around some of the Members not taking up the training and development opportunities offered to them. A Member/Officer Working Group has been formed to deal with this issue.
- 5.3.3 Business Assurance & Democratic Services: Capacity and resources to undertake the Scrutiny function effectively remains a concern; the function has expanded to include scrutiny of partner organisations and there has been no increase in current resources. There also remains a lack of corporate engagement in the Scrutiny function.
- 5.3.4 Transformation: An audit of Programme and Project Management was undertaken in 2010/11 and work has been ongoing during 2011/12 to implement organisation-wide recommendations to address Programme and Project Management weaknesses. This includes strengthening and embedding project risk and issues management, which is important in the overall implementation of the Council's vision and priorities.
- 5.4 Overall, internal controls are robust, although given the issues outlined above there is scope to further strengthen the Council's internal control environment and overall assurance framework.
- 5.5 We propose over the coming year to take steps to address the above matters to further develop the Council's governance arrangements. The governance disclosures contained in this Annual Governance Statement will be managed via the appropriate risk register in accordance with the Council's Risk Management Strategy. This will provide for more accountability, reduced bureaucracy and further embed enterprise risk management.

Signed:

Leader of the Council:

Date:

Chief Executive:

Date: