

TITLE	Annual Governance Statement 2012-13
FOR CONSIDERATION BY	Audit Committee on 16 July 2013
WARD	None Specific
STRATEGIC DIRECTOR	Julie Holland, Interim Head of Business Assurance and 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 2012/13 and highlight issues that the Council wishes to improve.

RECOMMENDATION

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

SUMMARY OF REPORT

The AGS covers the following key aspects of the governance environment in place at Wokingham Borough Council during 2012/13:

- 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.

Background

The AGS has been produced by the Corporate Governance Group following consideration of a number of Management Assurance Statements (MAS) produced by the Council's 5 Strategic Directors, 3 Directors and 1 Head of Department. This year Assurance Statements have also been received by the Council's major contractors, they include Optalis, WSP, Wokingham Housing Ltd and Wokingham Enterprises Ltd. Management Assurance Statements completed by WBC for 2012/13 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

Not applicable.

List of Background Papers

None.

Contact Julie Holland	Service Business Assurance and Democratic Services
Telephone No 07917 814563	Email Julie.Holland@wokingham.gov.uk
Date 5 July 2013	Version No. 1



ANNUAL GOVERNANCE STATEMENT 2012/13

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 2000 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 2013 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

The Council's vision, values and priorities were agreed by elected members and officers in 2012. The Council introduced these to staff across the organisation and in 2012/13 these formed the basis for service plans and individual objectives. Furthermore, the Council's new performance management process (introduced in late 2012) uses the vision, values and priorities to prepare dials for the purposes of measuring staff performance. The aim of the dials is to encourage staff engagement and buy-in to the Council's vision.



- 3.2 An Interim corporate plan has been operational during 2012/13, following the significant work undertaken in developing a new vision. It has been agreed that the revised plan will be implemented by April 2014.
- 3.3 The 2013/14 service planning process took place in 2012/13. For the first time, the service planning process included budget setting and all service plans were presented to a peer review panel which included the Chief Executive and the Strategic Director Resources. The service plan template contained performance indicators (to address new corporate priorities) and benchmarking (to review our services against others and identify efficiencies). The service planning process is subject to a Council-wide review being undertaken by the Renaissance Working Party in 2013/14.
- 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 2012/13 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. Even though the meetings and Access to Information Regulations 2012 no longer require Council's to publish a forward programme the Executive agreed to continue to publish a forward plan and a schedule of meetings which 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 5.6 of the Council's constitution. All decisions are advertised and are supported by a formal public report which is produced five clear 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 except when exempt information is to be discussed.
- 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 (Chief Executive) and Chief Finance Officer (Strategic Director 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 2012/13 financial year.
- 3.9 The Chief Executive and Strategic Director Resources are part of the Council's Corporate Leadership Team 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, utilising 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.
- 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 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. In 2012/13 performance management was delivered through each service's service plan. The new regime starting in 2012/13 has seen the adoption of the Balance Scorecard methodology.
- 3.19 In 2013 following a review of the most relevant indicators by the Corporate Leadership Team, the Council prepares a series of performance reports on a monthly, quarterly and annual basis to provide a comprehensive picture of achievement. These are reported at Executive Briefing and Scrutiny.
- 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 Guidance. A refresh of the Council's Risk Management Policy and Guidance took place 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.
- 3.25 There has been an historic misalignment between the corporate and service risk registers and the focus of the Internal Audit work plan. This will be addressed during 2013-14 to ensure that the organisation's highest risks are the focus of Internal Audit's work.
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 2012/13 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, 3 Directors and 1 Head of Department. This year Assurance Statements have also been received by the Council's major contractors, they include Optalis, WSP, Wokingham



Housing Ltd and Wokingham Enterprises Ltd. All 13 Management Assurance Statements for 2012/13 have been agreed by the relevant Executive Lead Members (where applicable) 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 2011 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 the effectiveness of Internal Audit and Counter Fraud Arrangements was conducted in 2012/13 and concludes that Internal Audit and Investigations are 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 28 November 2012.

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 golden thread which connects SMART objectives with the Council's corporate planning framework to individual objectives and appraisals has been under-developed and is being addressed through the new Performance Improvement programme subsequently introduced. This was raised in the 2012/13 Corporate Governance Internal Audit report and will be developed. This year the Council's service planning process has improved, as has accountability against service plans.

5.2.2 In 2012 there was a significant information security breach related to the unauthorised disclosure of sensitive data during the office moves in Children's Services. This was in the context of strengthened general controls over the confidentiality and security of data. The incident was reported to the Information Commissioner who concluded that Wokingham Borough Council were not accountable. No further action is required.

5.2.3 The Council faces financial pressures which represent a challenge to its operations. To date these pressures have not manifested into weaknesses in the control environment. However there is considerable uncertainty surrounding staff and there are a number of interim appointments/ temporary staff in key areas across the Council.

5.2.4 Working relations between officers and members continues to improve and a number of collaborative member/ officer groups have been created to foster effective joint working. Work is on-going to ensure that clarity of roles and responsibilities are clearly understood and maintained.

5.2.5 The Council experienced a major IT incident this year which impacted on its performance for a short period. This situation was managed through the business continuity management process. The situation is being monitored on a daily basis, a lessons learnt system is in place and the



incident has been reviewed by Internal Audit. Business continuity has been improved following the experience gained and is assessed on an ongoing basis.

5.3 Internal Service Risks and Issues

- 5.3.1 **Resources: Policies and Procedures** – improved clarity is required over 'must do' issues, particularly in relation to employee matters.
- 5.3.2 **Business Assurance & Democratic Services: Scrutiny** – The Scrutiny function has expanded and includes scrutiny of partner organisations and the newly formed Health and Wellbeing Board. There is a need to review the capacity and resources to undertake this function effectively. There remains a lack of corporate engagement in the Scrutiny function.
- 5.3.3 **Legal and Electoral Services: Shared Legal Solutions** – There is lack of adequate support to the Iken case management system. The business impacts include not only the ability to work remotely (upon which the SLS business case depends) but also the operational impacts of being unable to access data in a timely manner to enable proper representation of both WBC and also RBWM under the contract.
- 5.3.4 **Legal and Electoral Services: Local Land Charges** – The continuing economic problems in the market have a direct impact on the levels of activity and income for this service. The ability to generate external income from this service is prescribed by legislation such as the Environmental Impact Regulations, which requires the local authority to provide some types of information for free. There continues to be pricing pressures with competition from personal search companies who continue to undercut the local authority charges. The predicted budget overspend will be off set against under spends in other parts of the Department's budget. Group litigation by the main Personal Search companies with respect to previous charges levied on personal searches continues against WBC. Whilst there is there is an expectation that a settlement will be reached for the majority of these claims in the near future, this might increase other potential claims and this situation remains unpredictable. There is some budget provision set aside for this eventuality but the exact numbers of potential claims and claimants remains unknown. The Government has agreed to provide some recompense to local authorities by way of a New Burdens grant; however it is difficult to predict the levels of grant WBC will receive. This situation and litigation are monitored by external solicitors, Bevan Brittan, who manages these cases on behalf of all LGA member authorities.
- 5.3.5 **Legal and Electoral Services: Corporate Governance** – Due to changes to Members Code of Conduct introduced by the Localism Act, Members of multiple authorities will now be subject to potentially many different Codes, which will introduce additional complexity on complaints handling. Changes also included more responsibility on the Monitoring Officer with regard to the Code of Conduct allegations. This causes additional time constraints on the Monitoring Officer role.
- 5.3.6 **Development & Regeneration: Resource issues** have impacted on the capacity of the Directorate to respond to the significant workload associated with the SDL's. This has been addressed through the MTFP and the award of capacity building funding from CLG. However delays in agreeing deployment of this and recruitment have led to a significant build-up of outstanding workload and high demands being placed on staff.
- 5.3.7 **Development & Regeneration: The Planning IT system** remains weak and impacts on the ability of the team to process and validate applications leading to poor customer outcomes and feedback.



- 5.3.8 Transformation: There are some outstanding audit recommendations to address pertaining to project governance enhancements. These improvements are underway and have been subject to further scrutiny by the Audit Committee.
- 5.3.9 Children's Services: Placement of individual children in specialist establishments outside the borough – Such placements are sometimes on an emergency basis, but always highly specialist. Children's Services do not apply the procedures for tendering for such places as there are time constraints and the establishment which could meet the children's needs are very limited. A review of the relative cost of placements and the market place availability will be undertaken by the People Hub in 2013/14.
- 5.3.10 Children's Services: Approval of Invoices --The management approval thresholds in Children's Services mean that Heads of Service have a significant number of invoices to approve. Invoices which have not been approved are referred to the Strategic Director for approval who has less knowledge of the detail. There is a risk that invoices are being approved without the operational knowledge. A review of the approval thresholds in each service has been started by Finance to reduce the burden on the most senior managers and target approval responsibility to staff who know the detail of the services procured and provided.
- 5.3.11 Children's Services: Contract compliance -- Some contracts are rolled over without the required tendering arrangements and there is insufficient scrutiny of contract compliance to give assurance on value for money. This will be reviewed by the People Hub in 2013/14.
- 5.3.12 Health and Wellbeing: The Finance and Contract Regulations, as currently drafted, do not appear to reflect operational need and practice in the procurement and commissioning of Adult Social Care Services. There is a requirement to consult with the Head of Procurement and the Head of Legal Services for all contracts with a value exceeding £50k, which would cover the majority of individual arrangements for Adult Social Care clients. The numbers of transactions which are affected by this Regulation are quite high. Discussions are underway to agree a mechanism by which a properly authorised delegation can be agreed to balance probity with operational need.
- 5.3.13 IMT: There are a number of actions under the ICT Management of Starters and Leavers Internal Audit report which will be implemented. These include documenting the Asset Management process, adopting a single "Golden Source" for all asset data (it is planned to interface Agresso & Infra by December 2013), producing monthly management reports and reviews to ensure the accuracy of the database and the reporting and reconciling of Leavers data with the Asset Register at the end of each month.
- 5.4 External Service Risks and Issues
- 5.4.1 Optalis: At 31 March 2013 Internal Audit were performing a Financial Management review, the findings of which have yet to be discussed. Optalis anticipate there will be a number of financial control issues to address, and have agreed to action these over the next quarter.
- 5.4.2 Wokingham Enterprises Ltd: In 2012/13 work has been carried out to improve the processing of invoices. Invoice logging has been established to ensure the correct authorisation procedure is followed; the invoice has not been duplicated and the invoice has not previously been paid.
- 5.5 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.



- 5.6 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 Policy. This will provide for more accountability, reduced bureaucracy and further embed enterprise risk management.

Signed:

Leader of the Council:

Date:

Chief Executive:

Date: