

## **TELFORD & WREKIN COUNCIL**

**CABINET - 15<sup>th</sup> SEPTEMBER 2008**

**UPDATED ANNUAL GOVERNANCE STATEMENT 2007/08 FOLLOWING THE AUDIT OF THE ACCOUNTS BY KPMG**

**REPORT OF THE CORPORATE DIRECTOR: RESOURCES**

### **1.0 PURPOSE**

- 1.1 For the Cabinet to agree the updated Annual Governance Statement 2007/08 following minor changes arising from the audit of the accounts by the External Auditors – KPMG. The revised statement will be signed by the Leader and Chief Executive and will be included in the audited 2007/08 annual accounts being presented to the Audit Committee on 16<sup>th</sup> September and then Council on 25<sup>th</sup> September for approval.

### **2.0 RECOMMENDATION**

- 2.1 **That members of the Cabinet agree the updated Annual Governance Statement 2007/08, attached as Appendix A.**

### **3.0 SUMMARY**

- 3.1 The Council's External Auditors – KPMG have undertaken their audit of the accounts for 2007/08 and recommended minor changes to the Annual Governance Statement. These changes need to be agreed by Cabinet, the Audit Committee and then Council.
- 3.2 The Annual Governance Statement was a new requirement for English Authorities in 2007/08 so the External Auditors have reviewed it against current guidance<sup>1</sup>. It is pleasing to report that for our first statement we have only been requested to make minor changes.

### **4.0 PREVIOUS MINUTES**

- 4.1 Cabinet 16<sup>th</sup> June 2008

### **5.0 BACKGROUND**

- 5.1 The changes made are tracked in Appendix A.
- 5.2 The reference to "see glossary" inserted in paragraph 2.2 is to include a definition in the glossary to the accounts for CIPFA/SOLACE. The glossary entry is – "CIPFA/SOLACE Delivering Good Governance in Local Government - Framework - CIPFA - the Chartered Institute of Public Finance and Accountancy, have worked with SOLACE - the Society of

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<sup>1</sup> The CIPFA Finance Advisory Network – THE ANNUAL GOVERNANCE STATEMENT – Meeting the requirements of the Accounts and Audit Regulations 2003, *incorporating Accounts and Audit (Amendment)(England) Regulations 2006* – Rough Guide for Practitioners with effect from 2007/08

Local Authority Chief Executives and Senior Managers, to develop the good governance framework for local authorities based on the "The Good Governance Standards for Public Services" produced by the Office for Public Management

- 5.3 The changes in paragraph's 4.1 (3<sup>rd</sup> bullet) and 5.7 are to distinguish between the assurance framework and the effectiveness of that framework in respect to performance management.
- 5.4 The change in paragraph 5.8 is to insert March 2008. This is to clarify that the results included in the statement are from Use of Resources and data quality reviews of 2006/07 which were reported as part of the Comprehensive performance Assessment in the Annual Audit and Inspection Letter in March 2008.

## **6.0 OTHER CONSIDERATIONS**

<b>AREA</b>	<b>COMMENTS</b>
Equality & Diversity	One of the principles in the Local Code of Corporate Governance is inclusivity.
Environmental Impact	None
Legal Implications	Accounts and Audit (Amendment) (England) Regulations 2006 and CIPFA guidance SORP 2007 and Delivering Good Governance for Local Government. Operating good corporate governance and internal control systems should demonstrate high ethical standards and minimise some forms of claims against the Council.
Links with Corporate Priorities	The Local Code of Corporate Governance should ensure improved links with the community and the delivery of appropriate corporate priorities in an open and accountable manner.
Opportunities and Risks	Reviewing the Council's corporate governance and internal control systems and identifying areas for improvement will ensure that the Council's risks have been and will be effectively managed.
Financial Implications	Good corporate governance and internal controls reduce the risk to the Council of financial loss.
Ward Implications	None.

## **7.0 BACKGROUND PAPERS**

Local Code of Corporate Governance 2006 and updated May 2008

CIPFA – Delivering Good Governance in Local Government June 2007

CIPFA's Financial Advisory Network –ANNUAL GOVERNANCE STATEMENT - Meeting the Requirements of the Accounts and Audit Regulations 2003, incorporating the Accounts and Audit (Amendment) (England) Regulations 2006 – Rough Guide for Practitioners with effect from 2007/08

Feedback from KPMG July 2008

## APPENDIX A



**Telford & Wrekin**  
C O U N C I L

### ANNUAL GOVERNANCE STATEMENT 2007/08

#### 1. Standards of Governance

- 1.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, Constitution, and policies of the Council as well as the applicable statutory requirements.

#### 2. Scope of Responsibility

- 2.1 Telford & Wrekin 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 to secure continuous improvement.
- 2.2 To this end the Council has approved and adopted a local code of corporate governance which was updated during 2006 and again in 2008 to ensure that it is consistent with the principles of the CIPFA/SOLACE [\(see glossary\)](#) Framework Delivering Good Governance in Local Government. Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management and ensuring the effective exercise of its functions.
- 2.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

#### 3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, and cultures 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, 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 on-going process designed to:
- a) identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;

- b) evaluate the likelihood of those risks being realised;
- c) evaluate the impact should they be realised; and
- d) manage them efficiently, effectively and economically.

3.2 The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2008 and up to the date of approval of the annual report and statement of accounts.

#### 4. The Governance Framework

4.1 The key elements of the systems and processes that comprise the authority's governance framework include:

- Vision 2026 – Transforming Telford & Wrekin: From New Town to Modern City, the Community Strategy, the Council Plan and the Best Value Performance Plan all outline the Council's ambitions and priorities based on stakeholder feedback and these inform the business planning process with supporting plans at Portfolio, service, business and personal levels;
- The Constitution (which includes the financial regulations and contract standing orders, Information Communication & Technology information and security policies), Forward Plan and decision making processes;
- ~~Continuous improvement through~~ the ~~Council Best Value Performance Plan, the and the Council's well established~~ Performance management framework and data quality systems. These provides regular monitoring reports to Directors, Cabinet and Scrutiny;
- Legal Services ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- The Standards and Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's People Strategy (HR) supported by rigorous recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development in line with Investors in People;
- Member and Officer Code of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council's communication and consultation strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The Cabinet Member for Resources is responsible for Corporate Governance and Risk Management and the key officer is the Corporate Director Resources. The corporate risk management function has integrated risk management into the service and financial planning process including the provision of appropriate awareness and training for officers and members;

- Comprehensive budget strategy and robust budget monitoring process provides sound financial management and regular reporting of financial management information;
- Internal audit review controls based on risk to provide assurance and recommendations for improvement;
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
- The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
- Projects are managed within the PRINCE 2 methodology, as appropriate, which includes risk identification and management. Projects use the Corporate Risk Management methodology as appropriate for the management and reporting of their risks.

## **5. Review of Effectiveness**

- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
  - b) the work of internal audit; and also
  - c) by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance, financial and risk management information reports from senior management. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives and the management of risks linked to their objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 5.3 During 2007/08 the co-ordination of the Council's Scrutiny function continued to be provided through the Scrutiny Management Board. The Council's Scrutiny function continues to review the decision making process and areas of concern. The subjects for the areas of concern are informed from corporate community consultation, direct feedback to members from the citizens of the Community and the results of review and inspection (both external and internal).
- 5.4 For the last four years internal audit have planned their work on the outputs from the risk management and performance management processes, CPA improvement areas, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance arrangements and internal control system. During 2007/08 the Internal Audit team achieved 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the systems of internal control.
- 5.5 Internal Audit report regularly to the Standards and Audit Committee. During the year a review of these reporting arrangements was undertaken. It was agreed that for the

- 5.6 2008/09 municipal year that a separate Audit Committee would be set up to further improve the effectiveness of the Audit Committee.
- 5.7 The External Auditor (KPMG) during 2007 revisited the Corporate Performance Assessment (CPA) Use of Resources for the Council based on again more challenging criteria. The Council scored 3 or 4 (top score 4) in all eleven sub sections and maintained an overall score of 3. The Council scored the top score of 4 for 3 of the sub sections – asset management, risk management and the arrangements that promote and ensure probity and propriety. The Internal Control section retained its top score of 4. These combined and improved results indicate continued and improved sound governance arrangements and systems of internal control.
- 5.8 The Council's performance management framework has well established systems and procedures which drive continuous improvement in performance. The External Auditor ~~has~~ reviewed the Data Quality arrangements and concluded that they were good.
- 5.9 This Use of Resources assessment and data quality review contributed to the Council being judged as 4 stars (excellent) by the Comprehensive Performance Assessment process in March 2008.
- 5.10 As mentioned in paragraph 2.2, the Council has revised again the local code of Good Governance to ensure that it reflects good practice. There is now some work outstanding to raise renewed awareness of the revised code across the Council. This is included in the action plan in Annex 1.
- 5.11 In addition to reviewing the code, during the year the Council has continued to review and put into place improved policies, management processes and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. However there are still areas where improvements can be made and actions to address. The annual review by Internal Audit of the key systems, corporate governance and risk management arrangements have reported that at the time of the reviews the internal control systems were operating subject to minor recommendations identified. Appropriate corporate actions are included in the action plan attached to this statement (Annex 1).
- 5.12 All Directors and Heads of Service have signed two assurance statements (half year and year end) confirming that governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.13 As the system of internal audit has not changed and we are still waiting for guidance on how to undertake a review of the effectiveness of the system of internal audit the Council has updated the review from 2007. The action plan from this review has been reviewed and updated. The outstanding improvement actions are included in the action plan to this statement. A full review will be undertaken in 2008/09 when guidance has been provided (this is currently being worked on by CIPFA).
- 5.14 In addition to the CPA assessment, the Council has again received a very positive Annual Audit & Inspection letter from the Audit Commission which included that:
- Telford and Wrekin Council is an Excellent Council that is improving well.
  - The services provided to Children and Adults are strong.

- There is strong leadership and innovation from Members and Officers to further develop service.
- The Council has strong governance and internal control arrangements.
- There was an unqualified opinion of the accounts and a conclusion on the vfm arrangements to say that these arrangements are adequate
- The Best Value Performance Plan has been audited.
- The assessment of data quality concluded that the Authority has good arrangements in place.

5.15 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards & Audit Committee, Scrutiny, senior managers, Internal Audit and external review, and plan to address weaknesses and ensure continuous improvement of the framework as outlined in the action plan attached as Annex 1.

5.16 The action plan will be monitored and reviewed during the year by the Audit Committee.

Leader of the Council.....

Chief Executive.....

Date.....

**ACTION PLAN FOR 2007/08 ANNUAL GOVERNANCE STATEMENT**  
**(for implementation 2008/09)**

No.	ACTION	Resp.	Date	Additional Comments
1.	Develop and implement a communication and awareness plan for the revised Code and roles and responsibilities in respect to corporate governance once agreed by Council 26 <sup>th</sup> June 2008.	Audit & Risk Manager	30/09/08	Leaflet to be developed as part of this and further enhancements to the intranet page.
2.	Corporate Business Continuity plan – a) review; and b) test.	CD ACC and Head of P&P	31/03/09	Testing of the corporate BCP has slipped due to the absence of a dedicated resource to lead this work, sickness absence of the responsible business manager and consequent delays in appointing a time limited project officer. The project officer will take up their post in Summer 08. A new British Standard has been introduced since the corporate BCP was approved in March 2007 and therefore a review and update of the plan has been commissioned through an external consultant.
3.	Revised ICT business continuity plan to be produced during 2008/09	Head of ICT	31/03/09	This is work that is continuing to completion in 2008/09.
4.	Ensure that ICT infrastructure projects supports the corporate & service continuity plans	Head of ICT	31/03/09	Implementation of the ICT infrastructure is currently being planned. This will provided improved business continuity arrangements for servers in scope. Plans will need to be developed for servers not in scope.

**ANNEX 1 (continued)**

<b>No.</b>	<b>ACTION</b>	<b>Resp.</b>	<b>Date</b>	<b>Additional Comments</b>
5.	Catering - Implement the outstanding areas from the internal audit review and on-going system/processes update.	Head of BSF, Resources & Regeneration	31/08/08	There are still some issues with the new computer system. Internal Audit is continuing to work with catering to improve the systems and controls.
6.	Develop and agree a corporate procedure for the appointment, induction and control of consultants.	Head of HR	31/07/08	Agency contract implemented but still further work required on corporate procedures.
7.	Develop a specific confidential reporting statement for contractors	Audit & Risk Manager	31/07/08	Speak Up policy updated again March 2008 therefore contractor statement delayed.
8.	Ensure robust evidence for CPA Use of Resources 2008 (2007/08)	CD Resources; Head of Finance; Head of PPP; Audit & Risk Manager	30/09/08	Action plan from 2007 feedback report being worked on along with evidence for 2008 requirements.
9.	Continue the implementation of the actions from the review of the effectiveness of the system of internal audit 2007 and undertake a full review when guidance received for 2008/09.	Audit & Risk Manager	31/10/08  31/03/09	Reviewed January 2008 and outstanding actions included in 2008/9 action plan. Guidance awaited for 2008/09 review.
10.	Review and agree revised scrutiny arrangements and provide appropriate additional training when appropriate.	Head of Audit & Democracy	31/12/08	To be presented to Council in November 2008

**ANNEX 1 (continued)**

<b>No.</b>	<b>ACTION</b>	<b>Resp.</b>	<b>Date</b>	<b>Additional Comments</b>
11.	a) Review the results of the Ethics, Standards and Conduct Survey undertaken in March 2008 and develop an action plan b) implement actions as per the action plan.	Audit & Risk Manager	31/07/08  31/03/09	This survey was undertaken in March 2008 based on an IDEA/ Audit Commission toolkit to assess levels of awareness and understanding of members and officers down to business level in these areas.
12.	Implement any governance recommendations from the 4 external inspections: a) CPA b) JAR c) Enhanced Youth Inspection d) Youth Offending Service	Chief Exec & CD C&YP	31/03/09	Final reports to be received by the Council over the next 3 – 4 months. Action plans will then be developed.