

## **TELFORD & WREKIN COUNCIL**

**CABINET - 15<sup>th</sup> SEPTEMBER 2009**

**UPDATED ANNUAL GOVERNANCE STATEMENT 2008/09 FOLLOWING THE AUDIT OF THE ACCOUNTS BY KPMG**

**REPORT OF THE INTERIM CORPORATE DIRECTOR: RESOURCES**

### **1.0 PURPOSE**

- 1.1 For the Cabinet to agree the updated Annual Governance Statement 2008/09 following changes to one paragraph 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 then be included in the audited 2008/09 annual accounts being presented for approval by the Audit Committee on 23rd September 2009.

### **2.0 RECOMMENDATION**

- 2.1 **That members of the Cabinet agree the updated Annual Governance Statement 2008/09, attached as Appendix A.**

### **3.0 SUMMARY**

- 3.1 The Council's External Auditors – KPMG have undertaken their audit of the accounts for 2008/09 and recommended changes to one paragraph of the Annual Governance Statement. These changes need to be agreed by Cabinet prior to approval of the Accounts by the Audit Committee.

### **4.0 PREVIOUS MINUTES**

- 4.1 Cabinet 9<sup>th</sup> June 2009

### **5.0 BACKGROUND**

- 5.1 The changes are to paragraph 5.18 and are shown as tracked in Appendix A.
- 5.2 The changes were requested to reflect more clearly the results and comments from the Ofsted review of Children's Services in late 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 2008 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 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 August 2009

Report by Jenny Marriott, Audit & Risk Manager 383101



## ANNUAL GOVERNANCE STATEMENT 2008/09

### 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 May 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 2009 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's Priority Plans all outline the Council's ambitions and priorities based on stakeholder feedback and these inform the business planning process and business and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- The Council's Information Governance Framework including data and information security policies and procedures;
- The Performance management framework and data quality systems. These provide regular monitoring reports to Directors, Cabinet and Scrutiny. There is also a Member Performance Champion who challenges Cabinet members and reports back to all Cabinet members;
- 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 Committee, 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 Codes 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 2008/09 the Council's Scrutiny function was reviewed and new changes implemented from 1<sup>st</sup> January 2009. The Scrutiny function is overseen by the Scrutiny Leadership Board led by a member of the opposition. 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 community consultation, direct feedback to members from within the community and the results of review and inspection (both external and internal).
- 5.4 Internal Audit plan their work on the outputs from the Council's risk management and performance management processes, external inspection reports, 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 2008/09 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 on a quarterly basis and annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Heads of Service to attend to provide assurance on the implementation of recommendations. The Audit Committee has also reviewed the benchmarking process and information of Internal Audit.

- 5.6 The Audit Committee reviewed their effectiveness during January 2009 and has agreed to undertake further work prior to agreeing to appoint a co-optee.
- 5.7 The External Auditor (KPMG) during 2008 revisited the Corporate Performance Assessment (CPA) Use of Resources for the Council based on again more challenging criteria. The Use of Resources judgement includes sections on financial reporting, management and standing, internal control and value for money. The Council maintained an overall score of 3. The Council scored the top score of 4 for 4 of the sub sections (an improvement from 2007/08) – asset management, risk management, internal control and ethics and conduct. The Internal Control sub-section improved its score from 3 to top score of 4. Overall Internal Control therefore 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 and continuing to improve.
- 5.9 This Use of Resources assessment and other external assessments contributed to the Council being judged as 3 stars by the Comprehensive Performance Assessment process in March 2009.
- 5.10 The Council reviewed the Constitution in 2008/09. However further work is required to update the Constitution and this is included in the action Plan (Annex 1). This work involves reviewing the roles and responsibilities of members and officers within the Constitution.
- 5.11 In addition to reviewing the Code of Governance (see paragraph 2.2), 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.
- 5.12 The Council takes Information Governance seriously and has taken significant steps to improve the security of its IT, Paper and Handling Processes to meet the compliance requirements for Data Handling in Government. Through the Council's enhanced internal controls, there have been no data losses or reportable breaches of privacy during 2008/09. All appeals against the Council's decisions with regard to access to information have been dealt with successfully under our internal appeals process. There are no Information Commissioner's Office investigations into the Council in relation to the Freedom of Information Act, Environmental Information Regulations or Data Protection Act. Planned 2009 infrastructure upgrades will further improve security and data handling as well as, establish a culture of security through continued IGS training and awareness programmes.
- 5.13 The Council has also reviewed its information security arrangements against ISO27001 and has drawn an action plan to address the key issues during 2009/10. The implementation of this action plan is referenced in Annex 1.

- 5.14 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).
- 5.15 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.
- 5.16 The system of internal audit has not changed and the Audit Committee agreed at its meeting in January 2009 to undertake an internal review of the effectiveness of the system of internal audit. The action plan from the previous review has been reviewed and updated. The outstanding improvement actions are included in the action plan to this statement.
- 5.17 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:
- The Council has progressed in delivering the Council's ambitious plans for the regeneration of the borough, and improvement in most priority services although the Council's overall CPA rating this year has reduced from 4 stars to 3 stars.
  - In the corporate assessment under the new 'harder test' undertaken at the beginning of 2008 the Council scored 4 the highest possible rating.
  - In the Direction of Travel assessment in December 2008 the Council was assessed as 'improving well'. With the exception of children's services where the score reduced to adequate, all other services are now judged to be either good or excellent and overall performance continues to improve albeit at a slower rate than most other councils.
  - The Council continues to work well with partners to regenerate the borough and strengthen the local economy.
  - An unqualified opinion was given from the audit of the final accounts 2007/08.
  - In the Use of Resources review 2008 (for the period 2007/08) undertaken by KPMG the Council maintained a score of 3 (top score 4 – see paragraph 5.7).
- 5.18 The Council's Children's Services were subject to their annual performance assessment in late 2008. Ofsted reported in January 2009, [assessing the overall effectiveness of children's services as being "adequate"](#). [OFSTED reported that "Telford & Wrekin Council provides a service that consistently delivers minimum requirements for children and young people. It has some innovative practice and is increasingly cost effective. that "the Council's Capacity to improve, including the its services for children and young people is good, as is its management of these services is good."](#)
- 5.19 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, 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.

5.20 The Audit Committee will continue to monitor the action plan during the year.

Leader of the Council.....

Chief Executive.....

Date.....

## ACTION PLAN FOR 2008/09 AGS TO BE IMPLEMENTED 2009/10

No.	ACTION	Resp.	Comments	Date
1.	Corporate Business Continuity plan – a) review; and b) test.	CD ACC and Head of P&P	Corporate Business Continuity Management Strategy approved Jan 2009. Priority 1 Services identified and awaiting final approval from Corporate Directors and Cabinet.  Revised Corporate Continuity Plan and Service Area Recovery Plan Template under development – delayed as awaiting approval of Priority 1 Services.  Training and Exercising to be undertaken once final approval achieved  Working closely with ICT Infrastructure Project to ensure it supports the corporate & service continuity plans	30/09/09  30/09/09  30/09/09  30/09/09
2.	Revised ICT business continuity plan to be produced during 2008/09	Head of ICT	The proposed infrastructure designs incorporates a live data centre environment and a backup data centre environment for both corporate and education servers. These facilities are currently being developed and tested with a planned migration between June 2009 and March 2010. The Business Continuity Plan will be revised in line with these time scales and in accordance with the review of the Corporate Business Continuity plan, which has identified priority one applications.	30/09/09
3.	Ensure that ICT infrastructure projects supports the corporate & service continuity plans	Head of ICT	Following the review of the designs produced by the supplier it was felt that the proposed designs would not meet the requirements of the Council and all work was stopped with them. Designs were brought in house and commercial negotiations re-opened with the supplier to agree a way forward under the existing contract. This was completed in December 2009. In-house designs have been completed and the majority of the hardware has been supplied. A test environment will be built during April and May with Live migration of in scope applications planned between June 2009 and March 2010. All new server requirements will be incorporated into the new infrastructure during this period.	30/09/09
4.	Catering - Implement the outstanding areas from the internal audit review and on-going system/processes update.	Head of BSF, Resources & Regener- ation	An assessment is currently being made as to the benefits of implementing a cashless system as part of the catering and cleaning service review. Assuming that this review confirms that the benefits are significant then we will seek savings from within the catering annual revenue budget to offset the cost. This has the added advantage of building in ongoing sustainability. Furthermore we have also bid for funding to support the project from the DCSF. We should hear within the next month if we have been successful with this bid. In the meantime we will continue to use the system procured from PCS ensuring that a contingency plan is in place in case the system should fail. Subject to the above a business case has been prepared in line with procedures for ICT procurement and a team is ready to procure an alternative system.	Decision on way forward by 31/05/09 and implementation by Sept 09

**ANNEX 1 (continued)**

No.	ACTION	Resp.	Comments	Date
5.	Develop and agree a corporate procedure for the appointment, induction and control of consultants.	Head of HR	CD's have approved a policy on the Use of Consultants together with agency staff and new contract arrangements re provision of agency staff is in place with training in progress for May/June 2009 launch. Communication of this policy and guidance on the use of consultants is still required.	30/09/09
6.	Undertake review of the effectiveness of the system of internal audit for 2008/09 and then 2009/10.	Audit & Risk Manager	Agreed approach with Audit Committee 27 <sup>th</sup> January 2009 based on draft guidance. To be completed for Audit Committee 16/06/09  2009/10 review to include a repeat of the Audit Committee Effectiveness Survey	16/06/09  31/05/10
7.	Review operation and effectiveness of the revised Scrutiny arrangements	Head of Audit & Democracy	New arrangements effective from 01/01/09 and work programme has been agreed and is being delivered.  Review of effectiveness will be undertaken during 2009/10	30/05/10
8.	Implement outstanding actions from the Ethics Survey action plan.	Head of Legal Services	Consider refresher training in Human Rights or briefing through the bulletin or breakfast interactive.	30/09/09
9.	Complete review of the Constitution	Head of Legal Services & Head of HR	Constitution needs to reviewed and updated in respect to updating the roles and responsibilities of members and officers.	30/09/09
10.	Undertake a repeat of the Ethics survey.	Audit & Risk Manager	Undertake survey. Analyse results, compare to previous survey and identify any improvements/ actions required.	31/12/09 31/03/10
11.	Undertake skills matrix work with the Audit Committee.	Audit & Risk Manager	Skills matrix to be agreed and completed.  Skills matrix results analysed and Committee to decide if they need/want to appoint a co-optee	30/06/09  31/07/09
12.	Audit Committee to present an Annual Report 08/09 to Council.	Chair of the Audit Committee	Support will be provided by CD: Resources and the Audit & Risk Manager	30/09/09
13.	To implement the actions from the self assessment against ISO27001.	Heads of ICT & Information Governance	To implement the key actions (level 1) To implement other actions (level 2,3 & 4)	31/07/09 31/03/10