Appendix 1

NORTHAMPTON BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2008/09

1.0 Scope of responsibility

The 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.

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.

Northampton Borough Council aims to approve and adopt a local code of corporate governance by the end of November 2009. The code has been drafted and will be reviewed as part of the work plan of constitutional working party. The code will be consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). The code, when implemented, will be subject to a review by Internal Audit.

This statement explains how the council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

2.0 The purpose of the governance framework

The System of Internal Control and the Governance Framework have been in place at Northampton Borough Council for the year ended 31 March 2009 and up to the date of the approval of the annual report and statement of accounts.

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the 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, 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. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

3.0 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance will form part of it. Our governance framework will derive from the six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles that this governance framework follows are:

a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;

c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

e) Developing the capacity and capability of members and officers to be effective; and

f) Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles are as follows:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council works through a number of strategic partnerships with other service providers in the area. These include the Local Strategic Partnership (LSP), Safer Stronger Northampton Partnership (CDRP) and Children and Young People's Partnership. To be effective and to maximise the use of our shared resources, we

develop shared priorities and deliver them in the most effective way for the people of Northampton.

Many activities which deliver shared priorities are agreed through the Local Area Agreement (LAA) for Northamptonshire. The first LAA was Northamptonshire focused on delivering services and improvements to communities against four key themes. The second LAA for Northamptonshire was submitted to the Government Office of the East Midlands on 30 May 2008. The LAA will identify the key priority outcomes for the whole county as well as informing local priorities for Northampton to be delivered by the Council and its partners.

This will focus on seven key areas:

- Stronger communities
- Safer communities
- Tackling exclusion and promoting equalities
- Children and young people
- Adult health and well-being
- Local economy
- Environmental sustainability

The Local Area Agreement will be the key delivery plan for the Northamptonshire Sustainable Community Strategy. The strategy was approved by the Public Service Board in October 2008 and sets out the vision and key objectives for the county between now and 2031. A Northamptonshire Public Service Board has been established as the body responsible for delivering the second LAA and replaces the previous LAA Board. This Board will take a strategic view for the county as expressed in the 'Sustainable Communities Strategy for Northamptonshire'. It brings key strategic partners together to inform, drive and champion the strategic vision for the county in the longer term.

Our partnership vision for Northampton:

We believe Northampton should be a successful and confident town in which everyone who chooses to live here, work here or visit the town feels they belong, have a future, have financial stability and, where appropriate, business opportunities. It should also be a place that has a vibrant and diverse culture and welcomes a variety of lifestyles.

To achieve this the Northampton Local Strategic Partnership has developed a *Sustainable Community Strategy for Northampton*, which includes key themes from a similar county-wide strategy and focuses on key strategic objectives local to Northampton. Its vision is -

By 2011 Northampton will be:

- ***Recognised for good quality, environmentally friendly housing***
- ***Well served by modern and efficient public services***
- ***Safer***
- ***Cleaner***
- ***Healthier***

As well as planning services for the future growth of the area, we also intend to improve the quality of our services and make them more accessible to our customers now. By constantly improving to make sure our Council is amongst the best Councils in terms of public service by 2013, we will be able to tackle the opportunities and challenges effectively - challenges such as managing the growth of the area in a way that enhances the quality of life, bringing the town centre to life, renewing local housing estates and putting Northampton on the map, both regionally and nationally. All of this can only be delivered by working hand in hand with our partners.

In order to ensure that our plans meet the needs and aspirations of our local communities, and contributes to wider community outcomes, we consulted with local people and used their feedback to help to select our five priorities. These are:

- **We will help our communities become safer, greener and cleaner**
- **We will improve housing and health to enhance the well-being of our communities**
- **We will be a well-managed organisation that puts our customers at the heart of what we do**
- **We will promote economic development and growth in Northampton**
- **We will strengthen our commitment to partnership working and engaging with our communities to deliver better outcomes**

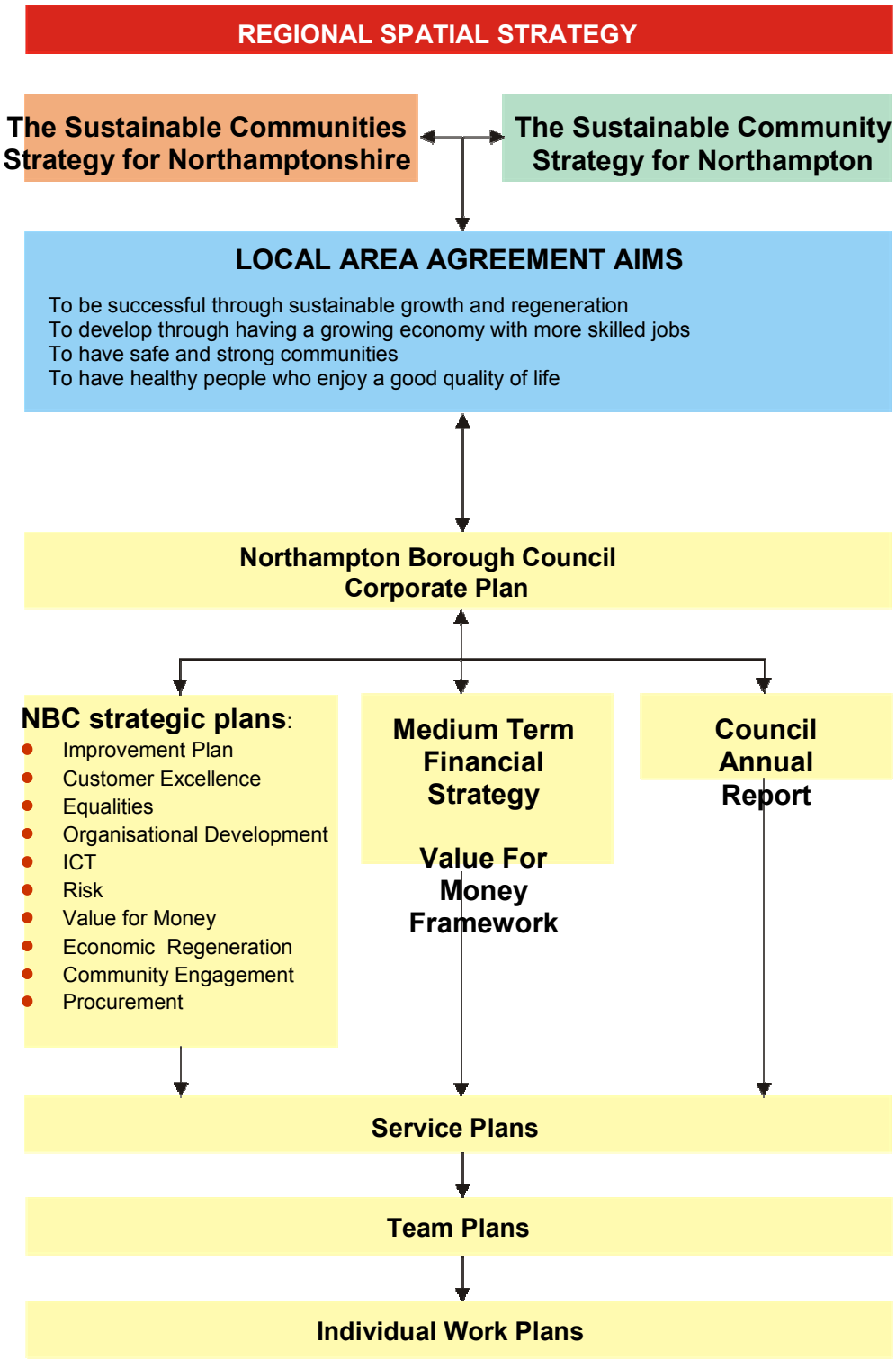
The council uses information from corporate and service consultations, engagement through area partnerships and community forums as well as feedback from customers to check that these priorities remain important to the community and that service delivery meets their expectations. The council also has a Residents Panel, which can be used for structured consultation with a demographically representative sample of the population.

The Council has adopted the following management aims, to enable the above priorities are delivered. The management aims are to:

- Provide excellent customer service
- Engage in meaningful dialogue
- Make best use of our resources
- Work to make Northampton a better place

The diagram below shows how the various groups and plans link together.

How We Deliver Our Key Strategies



Themed strategies and plans

The Council has in place a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary.

The Council monitors delivery of its priorities and objectives by use of the performance management framework. The objectives set out in the key strategic plans (Sustainable Communities Strategy, Local Area Agreement, Corporate Plan) are reflected in service plans for each service of the council. The service plans represent the key plan for each service and clearly set out targets and actions for each service and how each service area contributes to corporate objectives and targets. The service plans address service-level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement imperatives, including data quality, Equalities, and Employee Opinion Survey action plans. Local service improvement plans are reflected in the plans.

The performance management framework requires service plan targets and actions to be reviewed each month by the relevant departmental management teams. At strategic management level overall performance of each service is monitored at monthly Directorate performance meetings, independently supported by a member of the corporate performance team. These reviews, chaired by the relevant Director, address a range of performance aspects: risk management, financial performance, national and local performance targets, complaints and compliments. Issues identified are discussed in one to ones with the Director and Chief executive. From April 2009 a summary exception report will be discussed at bi-monthly management board meetings. In 2009 Service plans will be subject to quarterly review; this will ensure that plans remain current, that targets remain relevant and appropriately challenging and that the service is delivering the actions necessary to achieve the corporate objectives.

Performance information is collated by the Corporate Performance Team who are responsible for ensuring that Data Quality processes and procedures have been completed. Checks on background evidence for indicators are applied each month on a sampling basis, with full background checks quarterly. Information which has no background checks, or which has not been signed off by managers in the service area, is not permitted to go forward into our performance reports. Senior managers and Councillors are then informed of the reason for the missing data. These steps are necessary to ensure that decision makers have confidence in the data presented to them.

Performance information is made widely available. All Councillors are provided with the monthly performance reports. Notice Boards across all council premises are used to display performance information, ensuring that staff who do not use computers can still access up to date information on the performance of each

service area. The reports are also placed on the Council's website so that members of the public can access the information.

At a political level performance is monitored by Portfolio Holders each month in meetings with Directors and Heads of Service. Monthly performance reports are presented to each meeting of Cabinet by the Portfolio Holder for Performance, advised by officers. These reports focus on performance against priority indicators in addition to an overview of performance against all indicators. Focus is placed on those measures where performance has improved or deteriorated over the previous month. The reports also set out an analysis of quartile performance so that the Council's performance levels can be compared to the levels of the best performing Councils.

The Performance Management Framework clearly sets out the flow of management information and accountability across the Council. The framework is reviewed annually to ensure that it remains fit for purpose.

At employee level we have established an Employee Development Scheme so as to jointly agree employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for regular monitoring of performance during the year.

Each year, the Council produces a report, setting out our performance against our corporate objectives.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly 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. A corporate procurement strategy/toolkit has been developed to ensure proper arrangements are in place for procurement of goods and services. This was reviewed by Members and senior officers before being adopted.

The Council reviewed its financial regulations during 2007/08 with the updated financial regulations being approved by Council in November 2007. Revised procurement rules were adopted in March 2008, updating the previous guidance that covered 2004 to 2007. All budget heads are allocated *to named budget officers, who are* responsible for controlling spend against budgets, and who are also responsible for assets used in the provision of their services.

Contracts let during the year, as well as partnerships entered into, include appropriate arrangements for monitoring against agreed targets and indicators. A Procurement Monitoring Group has also been set up, where contracts over £20k are referred to the group, to ensure that the appropriate finance, procurement and legal rules are all adhered to.

In January 2009 Cabinet adopted the revised Risk Management Strategy, now incorporating business continuity management. The Strategy clearly sets out the processes and responsibilities for managing risks across the authority and is supported by a Risk and Business Continuity Management Handbook.

Risks are identified and refreshed annually as part of the Service Planning process and are managed using the Performance Management Software. This enables risks to be associated clearly to objectives and priorities, providing management with valuable monthly reporting, ensuring resources are targeted to the priorities and objectives most at risk.

Service-level risks are challenged monthly through the Corporate Performance Review process and Strategic risks quarterly via Management Board.

The Council has defined critical functions and business continuity plans for these functions are well developed across the authority.

Assurance on the Council's risk and business continuity function is provided through a Quarterly Risk Review Meeting chaired by the Director of Finance and Support, and through regular verbal and written updates to the Audit Committee.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

The main decision-making committee is the Cabinet, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except when personal or confidential matters are being discussed. Cabinet Portfolio Holders have authority to make delegated decisions in accordance with the Leader's Scheme of Delegations in the Constitution. Furthermore, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the Officers' Scheme of Delegations in the Constitution. The Council publishes a forward plan, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific portfolio of responsibilities requiring him or her to work closely with senior and other employees so as to achieve the Council's ambitions.

The Council's Management Board, which consists of the Chief Executive, Directors (including the S151 officer), the Monitoring Officer, Assistant Chief Executive and Head of Human Resources, met on a weekly basis during 2008/09. It now meets on a three weekly cycle (or more if required), to develop

policy issues commensurate with the Council's aims, objectives and priorities. Management Board also considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board meet with Cabinet on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues. It has a corporate responsibility for the messages that the council puts out, both internally and externally.

A new administration came into power in May 2007, and relevant training followed as detailed within this AGS. An interim Chief Executive was employed during 2007, up to and beyond when the new Chief Executive, David Kennedy, commenced at NBC in November 2007.

- Below Management Board the management structure is well defined in a hierarchical manner, comprising the following groups:

Corporate Briefing

This group consists of Management Board members and also all Heads of Service. The meetings are diarised weekly to meet as required. The agenda and meeting go ahead is agreed weekly by the Chief Executive.

The group, which is non-decision making, provides collective responsibility for:

- Providing corporate leadership
- Employee development
- Internal and external communications
- Performance management
- Co-ordinating and delivering corporate objectives and priorities for action
- Reviewing corporate policy
- Reviewing corporate standards
- Considering key operational matters

Directorate Management Team (DMT)

Each Directorate has a DMT where the Director and Heads of Service meet to discuss Management Board feedback, council wide and service specific areas. DMT meetings:

- Ensure that directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Ensures feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Provides a lead within Directorates to meet corporate requirements

- Ensures group corporate contribution
- Ensures communication of corporate requirements within and between teams within the respective directorate

Managers' Workshop

The managers' workshop started in 2007/08 and has a planned roll out of corporate subjects. The workshop attendance covers over 100 managers across the council.

Other specific group meetings:

There are also corporate groups for equalities, comprehensive performance assessment use of resources, ICT Governance, VFM Board to name a few.

Corporate priorities, policies and standards translated through service plans into day-to-day activities

The council has adopted a number of codes and protocols that govern both Member and officer activities. These are mainly reviewed annually:

- Members Code of Conduct
- Officers Code of Conduct
- Protocol for Members and officers regarding probity planning
- Protocol on Member/Employee relations
- Gifts and hospitality – Members and officers
- Counter Fraud
- Whistleblowing policy
- Complaints and compliments procedures

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The council has designated the Borough Solicitor as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer also supports the Standards Committee and is the nominated officer for whistleblowing. After consulting the Chief Executive and Director of Finance, he will report to the Council, under Section 5 of the Local Government and Housing Act 1989, if he considers 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.

Training needs are identified through one to one meetings, team meetings, and appraisals and are addressed via the Human Resources service and/or individual services as appropriate.

Report on Governance Arrangements

The People Development Manager, during 2007/08, conducted interviews with the Council Leader, Mayor, all Portfolio Holders, Directors and the Monitoring Officer, with the objective of examining the extent to which the NBC governance arrangements are:

- Understood by senior officers and inform current decision making
- Understood by portfolio holders and inform their decision making

Additionally, to identify whether potential breaches of governance arrangements take place. The review incorporated structured interviews which include the following questions:

- How effective are current governance arrangements?
- What's working well/needs to be improved?
- Do the arrangements support and have an impact on decision-making process?
- Instances of process failing to work or not compiled with?
- General comments

The executive summary of the report which was presented to the Borough Solicitor and the Interim Chief Executive, is below:

"The overall impression is that the governance arrangements are beginning to have a positive impact on the decision making process. Portfolio holders believe that they are better informed and able to professionally represent their portfolio areas in Cabinet and Council meetings.

Since the election of the new administration in May 2007, the portfolio holders have had to gain an understanding of the role and responsibility of a portfolio holder, as the skills in this area have developed their effectiveness in the role has increased.

There are a number of concerns that the internal structure of NBC does not always match the portfolio holder responsibilities.

There was also a concern from portfolio holders that their political "hot topics" which had immediate media and public attention did not receive the same degree of focus on the agenda as items on improvement plans. The council's communications team have been working to address this.

There we no reported examples of breaches of governance arrangements within NBC".

The Interim Chief Executive also issued a report to the Borough Solicitor and new Chief Executive on the governance improvements required, which has been incorporated into the improvement plan for the Borough Solicitor.

Finance and Audit Services

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and the Financial Regulations section within the Constitution. The Council has designated the Director of Finance as the Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Head of Finance and Assets is the deputy S151 officer. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Council Plan.

The Council maintains an Internal Audit service provided through a contract with PricewaterhouseCoopers, who operate to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

Our external audit services are currently provided by KPMG, who audit our statement of accounts, data quality, use of resources, whole of government accounts and national fraud initiative. External Audit will be transferring over to the Audit Commission during 2009/10.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has several committees, which carry out regulatory or scrutiny functions:

- Cabinet, which makes executive decisions
- A Planning Committee to determine planning applications and related matters;
- A Standards Committee that promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough;
- An Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that

effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;

- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures.

- General Purposes Committee, which is a sub-committee of full Council and makes decisions which are not the responsibility of the Executive or other committees,

- Appointments and Appeals Committee, which has responsibility for appraising senior officers and dealing with certain disciplinary/grievance matters.

Since May 2007 the Council has operated with four committees which carry out the Overview and Scrutiny (O&S) function. These are:

- Overview and Scrutiny Management Committee, made up of the chairs and vice-chairs of the three Overview and Scrutiny Committees - sets workplan, allocates resources, oversees Member training in O&S area, and reviews arrangements for involvement by Councillors and the public.
- Overview and Scrutiny Committee 1 - Partnerships, Regeneration, Community Safety and Engagement
- Overview and Scrutiny Committee 2 - Housing and Environment
- Overview and Scrutiny Committee 3 - Improvement, Performance and Finance

"Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are: -

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- External Scrutiny

Overview and Scrutiny provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

Overview and Scrutiny is charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

Overview and Scrutiny is Councillor led. As well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Overview and Scrutiny Committee, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

Developing the capacity and capability of members and officers to be effective

The council has a structured councillor development programme which is informed by corporate priorities, legislative changes and individual personal development plans for councillors. The programme is overseen by the councillor development group, which comprises of councillors from all political groups and officers to determine priorities and agree programmes of development on a rolling three-month programme. It also evaluates and monitors outcomes from development sessions.

Extensive Members training was undertaken during 2008/09. The developments focused on three key areas: Briefing, Skills and Committee Development Sessions. Some topics covered were: Constitutional Development, Various Financial Focuses, Overview and Scrutiny Roles, Legal and Probity for Planning, CAA/LAA, Public Speaking, Influencing/Negotiation and many more. The training was supported by a variety of internal and external sources including work with the IDEA, Local Government East Midlands and support from other councils. A member development scorecard is maintained for each member.

Engaging with local people and other stakeholders to ensure robust public accountability

The council has adopted a community engagement strategy. This sets out its principles for talking to and understanding the needs and opinions of residents, forums, community groups, stakeholders and partners, and how they can get involved in community life and decision-making. Detailed work is being carried out to develop a co-ordinated programme of engagement activities to support the implementation of the strategy.

A comprehensive communications strategy is also being prepared, which will make sure that the Council gets its message across, is able to inform local people of what it is doing and what they need to know, protects the Council's reputation and improves how it communicates with its own staff.

4.0 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process adopted during 2008/09 for a review is below; this will be strengthened during 2009/10:

The AGS group was set up to agree the approach and necessary contributors for the production of the draft AGS and its circulation for comments. The process included:

- Contributions and comments from Heads of Service.
- Internal Audit review for comment
- Review and approval by Management Board
- Review and comment by the Audit Committee
- Review and approval by Cabinet and full Council

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2008/09.

The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

The Borough Solicitor (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. A full review of the Constitution was undertaken during the latter part of 2007/08 to ensure it was accurate and reflected current best practice and legal requirements. A further review is currently underway through the Cross Party Constitutional Review Working Party (CRWP).

The Council's three Overview and Scrutiny (O&S) Committees are described above. They can establish 'task and finish' groups, which look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Executive (Cabinet). The O&S Committees can "call-in" a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors.

A good example of the call in process at NBC is detailed in an article by the Centre for Public Scrutiny (CFPS), where the Sixfields plan was called in. The article notes that it was effective use of the call in process.

During 2008/09 examples of task and finish work carried out by O&S include:

- Councillor Call for Action
- Potential loss of school playing fields
- Relationship with the West Northamptonshire Development Corporation
- Contaminated water

Scheduled to have an "away-day" to develop an ambitious work programme for 2009/10. The Committee will also be conducting a base-line review suing either a bespoke one or the Audit Commission's Ethical Government toolkit. A programme to policy reviews will form part of the work programme.

In 2008/09, the local filter arrangements to deal locally with Member contract complaints was developed and implemented. A manual of procedures was developed and is being used by the Committee.

The Standards Committee has produced periodic newsletters for the benefit of Members, Parish Councillors and relevant officers, to provide updates on the national position, advice on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

Internal Audit, under the terms of engagement, are required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the council's:

- Risk management
- Control and;
- Governance processes.

Collectively this is referred to as "the system of internal control".

An audit plan is prepared each year and is agreed at the Audit Committee prior to the year commencing. For 2008/09 the audit plan was agreed at the Audit Committee meeting on 26th February 2008.

Included within the planned days for 2008/09 was support provided by PwC on Risk Management. This input was initially when the Risk and Business Continuity post was vacant. During the latter half of 2008/09, this post was covered by a temporary appointment and was permanently appointed to in April 2009.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

High Assurance: No control weaknesses were identified or some low impact control weaknesses were found.

Moderate Assurance: There are some weaknesses in the design and/or operation of controls, which could impair the achievement of the objectives of the system, function or process. However, their impact would be less significant or they are unlikely to occur.

Limited Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact, but should not have a significant impact on the achievements of the organisational objectives.

No Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact and may put at risk the achievement of organisational objectives.

Risk ratings, ranging from critical to low, are also included within the audit reports.

The Internal Audit service is subject to a review by the council's external auditors, KPMG, who place reliance on the work carried out by the section. Internal Audit also carries out an annual self-assessment that is reviewed by the Director and Head of Finance and external audit.

TeamCentral was introduced at the end of 2007/08. This software manages audit recommendations and monitors the adherence of implementing them by agreed dates. TeamCentral sends out automatic monthly reminders where the implementation dates of audit recommendations have passed without being closed. The reports from this system will also be used as part of the monthly Corporate Performance Review meetings and summary information is presented to the Audit Committee. The committee during 2008/09 has requested officers to be present at meetings to explain why recommendations have not been actioned.

As part of the Comprehensive Performance Assessment (CPA) framework for districts, the Council has been assessed under the 'use of resources' category. The overall score for 2007/08 was a 2, with a 3 scored for within VFM and for Financial Management. This is a significant improvement from previous years.

5.0 Significant governance issues

Significant control weaknesses in relation to the following services were identified by Internal Audit and highlighted to the Audit Committee at its meeting of 2nd June 2009 in the Annual Audit Report.

The report states that their work did not identify any significant control weaknesses that were considered pervasive in their effect on the system of internal control. However, isolated significant control weaknesses were identified in the following audits:

Significant Control Weakness areas	Action to address weakness (examples)
Core Financial Systems:	
Debtors	Immediate action was taken to address the recommendations on bad debt provision and write offs. A new recovery team has been up as part of the 09/10 budget restructures.
Creditor Payments (Uniclass)	Action is being taken to address the recommendations. Internal Audit will carry out a follow up review in 2009/10.
Payroll	The upgrade of the General Ledger system to Agresso 5.5 has enabled many recommendations to be actioned. The Payroll Team also moved to Finance in April 2009 improving resilience.
Bank Reconciliations	The bank reconciliations for 2008/09 are now fully complete and the process has been re-engineered for 2009/10.
Fixed Assets	The critical item flagged by audit has now been completed. This was to fully close down the 07/08 financial year by updating the transactions on the system.
Housing Rents	All recommendations, such as recovery procedures and improving the voids reporting process, have been actioned.

Specific Audits: Car Parking income	. Action has been taken to improve the use and accuracy of income data. Segregation of duties and management information improvements are also completed or in train.

As a result of the above, Internal Audit can only give the authority limited assurance on the design and effectiveness of the system of internal control.

We propose to address the above matters, as set out in the table, to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Internal audit recommendations have not been addressed and implemented as quickly as necessary. In response to this, the audit reports and recommendations have been uploaded to TeamCentral. TeamCentral is an IT software solution that requires officers to update the system with their actions and it tracks the implementation status of audit recommendations. A summary of this is now included with the monthly performance reports as part of the CPR scheme referred to above.

Certain services during 2008/09 were monitored via the Government Monitoring Board. Improvements have been made to Finance, Culture and Leisure and the Revenue and Benefits services, that have shown the necessary progress to disengage from this process. Housing and Planning Services currently remain part of the GMB monitoring, but the necessary improvements have been undertaken, no meetings have been necessary recently and it is believed that full disengagement is imminent.

Following the senior management restructuring, the revised structure was adopted and commenced from October 2008. All posts at Director and Head of Service levels have been recruited to.

6.0 Certification by the Leader of the Council, Chief Executive, Director of Finance and the Monitoring Officer.

Signed:

Date:

Councillor Tony Woods
Leader of the Council

Signed:

Date:

David Kennedy
Chief Executive

Signed:

Date:

Isabell Procter
Director of Finance (S151 Officer)

Signed:

Date:

Francis Fernandes
Borough Solicitor/Monitoring Officer