

**NORTHAMPTON BOROUGH COUNCIL
DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13**

1 Executive Summary

This document describes Northampton Borough Council's governance arrangements and assesses how closely the Council aligns with good practice. In overall terms this is a positive statement for the financial year 2012/13. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the Statement of Accounts, Audit Committee, the overview and scrutiny process and external audit.

External audit was undertaken by the Audit Commission until September 2012, from which time KPMG have taken over. This provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2011/12 accounts, the latest ones published.

The statement reports positive progress on the three significant issues that arose as part of last year's statement:

- Procurement
- Voids
- Performance Indicators (Housing)

2 Statement of Compliance

The authority's financial management arrangements conform with the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government Framework.

3 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. Overview and challenge of the Council's management of risk is performed by the Audit Committee.

Northampton Borough Council has, through its cross party Constitutional Review Working Group, agreed a local code of corporate governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government' from 2007. A copy of the local code is on the Council's website at www.northampton.gov.uk.

This Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) and 4(4) of the Accounts and Audit Regulations 2011.

4 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 2013 and up to the date of the approval of the 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.

5 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance forms part of it. The Borough Secretary (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 2010/11 to ensure it was accurate and reflected current best practice and legal requirements and Council approved a revised Constitution on 14th March 2011. Various minor changes have occurred since then to respond to changing circumstances and it is currently in the process of being updated to reflect the Council's new partnership with LGSS.

The Council's Governance Framework derives 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 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 and the key elements of each of those core principles are as follows.

5.1 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's strategic objectives are set out in the Corporate Plan 2013-16 which was adopted by the Council at its meeting on 25th February 2013. These objectives are based around the two headings:

- Your Town
- You

Progress against the plan is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. The Council's annual financial planning process is driven by the council's Medium Term Financial Strategy to ensure that the future priorities and ambitions are resourced.

Partnership working is an increasingly important way in which Local Government can deliver more efficient and effective services to local residents. The Council is a member of a number of partnerships with organisations across the local area, and in some cases is also the lead authority with responsibility for establishing and leading some of these partnerships.

The Council has adopted a Partnerships Protocol. The protocol establishes minimum standards of governance and management to be followed by partnerships in order to satisfy the Council that the partnerships are being well run and are delivering benefit to the Council and the residents of the Borough. The protocol outlines key requirements for initiating, approving, setting up, operating, reviewing, and exiting partnership arrangements including the Governance Arrangements to be adopted.

The Council maintains a database of all partnerships it is involved in. This contains details of the Council's representatives in the partnership, the Council's contribution, the name of the lead organisation, the resources committed by the Council and the risk register. The Council evaluates each partnership to assess the risks and rewards to the Council and local communities, including legal issues, insurance, implications arising from the Council's Constitution, the Council's own processes and applicable protocols, financial regulations, issues of partnership procurement and whether the benefits from the partnership are likely to justify the costs involved in membership. The viability and validity of continuing with any partnership is reviewed on a regular basis as part of the ongoing service planning process.

The Council undertakes a significant number of consultations with customers. To facilitate this, the Council has adopted a consultation strategy, toolkit and web based portal. This process sets out a clear methodology for defining aims and objectives, resourcing the consultation, defining the level and method of consultation required, identifying whom to consult, ensuring inclusivity, planning the consultation, using the results, and evaluating the effectiveness of the consultation. Through adopting this methodology, the Council can be sure that consultations are more focussed and effective.

The Council has 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 through the performance management framework. A service plan is in place for each of the Council's service areas and the objectives set out in the Corporate Plan are embedded in these plans. 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.

A Management Board Data Set is reported on a monthly basis to Management Board and performance data is included in regular combined performance and financial monitoring reports to Cabinet. Service plans are reviewed at Departmental Management Teams, ensuring 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.

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 2010/11 with the updated financial regulations being approved by Council in May 2011. It is currently revisiting these in light of the new partnership with LGSS. Revised procurement rules were adopted in March 2008. All budgets 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.

The Council's Risk Management Strategy, which incorporates business continuity management, was further improved in 2011. 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 registers comprehensively refreshed on an annual basis as part of the Service Planning process and are updated monthly at Departmental Management Team meetings. This enables risks to be associated clearly to objectives and priorities, providing management with valuable monthly reporting information and ensuring resources are targeted to the priorities and objectives most at risk.

The Council has approved critical functions and business continuity plans for these functions are well developed across the authority. A high proportion of these plans have been tested. These business continuity plans are currently being reviewed and a Corporate Business Continuity Plan is being drafted. Assurance on the Council's risk and business continuity function is provided through regular verbal and written updates to the Audit Committee and through internal audits.

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

5.2.1 The Constitution

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that 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 Constitution has been reviewed and a revised Constitution was adopted in May 2011. The Council is currently reviewing its constitution in light of its partnership with LGSS.

5.2.2 The Cabinet

Cabinet is responsible for making executive decisions 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. Accountable Cabinet Members have authority to make non-key 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 key decision notice, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific range of

responsibilities requiring him or her to work closely with senior and other employees in order to achieve the Council's ambitions.

5.2.3 Management Board

The Council's Management Board, which consists of the Chief Executive, Directors (including the S151 officer), the Monitoring Officer, and Head of Business Change, met on a weekly basis during 2012/13. Management Board considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board has a corporate responsibility for the messages that the Council puts out, both internally and externally.

5.2.3 Corporate Briefing

This group consists of Management Board members and also all Heads of Service. The meetings are diarised fortnightly to meet as required. The agenda and meeting 'go ahead' are 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

5.2.5 Directorate Management Team

Each Directorate has a Directorate Management Team where the Director and Heads of Service meet to discuss Management Board feedback, council wide and service specific matters. These meetings ensure that:

- Directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Communication of corporate requirements within and between teams within the respective directorate occurs
- Service area performance is reviewed through Performance Report Packs.

5.2.6 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.

5.2.7 Programme and Project Management Governance

During 2012/13 there were 5 Programme Boards reporting into Management Board on the key project streams for the year of Northampton Alive, LGSS, Stock Options, Prevention, and Improvement. Each Programme Board is chaired by a Director, and they report into Management Board by exception.

The 5 Programme Boards will not encompass every single project that NBC is actively delivering, but rather those identified by Management Board as requiring corporate governance controls.

The Programme and project governance framework will signpost to other areas of governance that are required within the organisation. This saves the need for separate governance boards being set up and ensures integration across all of the specialist areas.

The NBC Project Management Best Practice Guide provides direction on the approach and the tools and templates available to support the programmes and projects. This ensures that those projects that are not deemed as requiring corporate governance controls will still maintain the NBC project management approach.

5.2.8 Codes and Protocols

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

5.3 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 Secretary 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 Chief Finance Officer (section 151 Officer), 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.

The Council has a Standards Committee which is responsible for: -

- Ensuring Councillors and other representatives are trained to carry out their duties effectively;
- Advising on the Members' Code of Conduct and helping Councillors and other representatives to understand what their duties are in relation to the Code;
- Investigating complaints received about elected Borough and Parish Council Members;
- Monitoring the operation of the Code;
- Conducting local hearings and determination of sanctions should a breach of the Code of Conduct be found;

- Granting dispensations to Councillors, co-opted members from requirements relating to interests set out in the Members' Code of Conduct;
- Advising the Council on other Codes and Protocols forming the authority's ethical framework;
- Considering arrangements for the appointment of Independent Members to the Committee;
- Ensuring the authority operates within a robust corporate governance framework; and
- Considering any report referred to it by the Cabinet or any other Committee where there are implications for ethical standards and report back as appropriate.

On 21 June 2012 the Council's internal auditors (PWC) presented a report to Management Board on the electronic governance survey launched in December 2011, as part of the planned 2011/12 audit work. A similar survey was carried out in March 2010, which was compared with the 2011/12 results. PWC's recommendation was that the Council should consider further the responses to statements 2 and 3 where there was a negative change in perception since 2010 and the response to statement 7 where a quarter of respondents felt that the Council doesn't manage large projects and significant contracts effectively. These statements and the context to them are shown below.

- 2 We perform effectively in clearly defined functions and roles
Matters to consider before making your assessment:
Do we all know what we are supposed to be doing? Do we understand our roles and responsibilities and those of others charged with governance? Is there collective responsibility for decisions taken? Do we understand the views of the public and service users and do we obtain robust information about these views?
- 3 We promote values for the whole Council and demonstrate the values of good governance through behaviour.
Matters to consider before making your assessment:
What are the values we expect staff to demonstrate in their behaviour and actions? Does our behaviour (collectively and individually) demonstrate that we take our responsibilities seriously? Can our behaviour weaken the organisation's aims and objectives?
- 7 We manage large projects and significant contracts effectively and efficiently, minimising risk to the Authority and ensuring that the best outcomes are achieved from the resources used.
Matters to consider before making your assessment:
Do we perform effective risk management for large projects and contracts? Do we consult with the public and service users? Do we assess whether outcomes are achieved in line with expectations? Do we assess value for money appropriately before embarking on projects?

The Council has implemented a new governance structure for its key projects during 2012/13 that addresses the issues raised in the Governance Survey Report. (See section 5.2.7 above).

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 a designated Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Assistant Heads of Finance are Deputy S151 officers. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate 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 Corporate 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.

The Council's external audit services were provided by the Audit Commission until September 2012, when KPMG took over. They audit the Statement of Accounts, grant returns, whole of government accounts and national fraud initiative.

5.4 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:

5.4.1 Cabinet

Cabinet makes executive decisions.

5.4.2 Planning Committee

Planning Committee determines planning applications and related matters.

5.4.3 Standards Committee

Standards Committee promotes monitors and helps to maintain 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.

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.

5.4.4 Audit Committee

Audit Committee provides assurance about the adequacy of internal controls, financial accounting and performance 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. It also reviews areas of concern to the committee, particularly around risk, fraud and failure of systems of control.

The Audit Committee has been very effective during 2012/13. There are now no High Risk areas left in the Council. Audit Committee has the opportunity to question and challenge on any reports brought before it. This supports a good internal control framework.

The Committee also reviews risk registers, approved the 2011/12 Annual Governance Statement (AGS) and Statement of Accounts, and will approve these for 2012/13. The committee receives annual training from internal audit.

5.4.5 Licensing Committee

Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures and make individual licensing decisions as required.

5.4.6 General Purposes Committee

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

5.4.7 Appointments and Appeals Committee

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

5.4.8 The Overview and Scrutiny Committee

Since May 2010 the Council has had one Overview and Scrutiny Committee which sets up time-limited Scrutiny Panels to carry out in-depth Reviews. The Overview and Scrutiny Committee comprises fifteen Members. The Scrutiny Panels now hold their meetings in public and individuals are encouraged to attend.

Some of the Overview and Scrutiny Committee responsibilities are:

- **Co-ordinating Work Programme** – to co-ordinate the work plan to avoid duplication and ensure joint working, or other suitable arrangements.
- **Allocation of Resources** – to consider the overall work loads of Scrutiny Panels and to agree the allocation of resources to each Panel according to need on an equal basis.
- **Involvement of other People in the Overview and Scrutiny Process** – to review arrangements for involving Councillors or people outside the Council, in the Overview and Scrutiny process, such as by co-option, or setting up working parties which include outside representatives and be responsible for agreeing appointments of external parties to relevant Scrutiny Panel.
- **Training and Development** – to review training needs of Overview and Scrutiny Committee Members and of Councillors and Council employees generally in relation to the Overview and Scrutiny process; and to consider the development of operational styles and techniques to aid the usefulness and effectiveness of the Overview and Scrutiny process.
- **Appoint three Overview and Scrutiny Panels**
- **Policy Development and Review** – The Overview and Scrutiny Committee may assist the Council and Cabinet in the development of its Budget and Policy Framework by in-depth analysis of policy issues by a variety of methods.
- **Support Needs** – To consider any general issues which arise with regard to the levels of co-operation and support which the Overview and Scrutiny Committee and Scrutiny Panels receive from other parts of the Council.

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 agenda, 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.

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. There was one call in during 2012/13.

Overview and Scrutiny becomes involved with decisions at an appropriate early stage to apply real influence and therefore play the important role of ‘critical friend’ to Cabinet. The Committee undertook three pre-decision scrutiny activities during 2012/13:

- Tenant Involvement Strategy,
- Housing Allocations Scheme,
- Tenancy Strategy 2012-2015.

This pre-decision scrutiny activity demonstrates non-Executives influencing organisational culture at the Council.

During 2012/13, the scrutiny panels reviewed the following areas: -

- **Infrastructure Requirements and s.106 Agreements** – To evaluate how infrastructure will be delivered through Section 106 Agreements, to identify any gaps and how these would be filled and renegotiate S106s if necessary
- **Retail Experience in the Town Centre** – To enhance the retail experience that makes people want to return to the town and to manage the transition period during the works on Grosvenor/Greyfriars, Riverside etc. and protect current shops
- **Serious Acquisitive Crime/Community Safety** – To investigate, as a bench mark, Northampton’s crime statistics, to identify ‘hotspots’, to provide a research paper to the Police and Crime Commissioner (PCC), and to identify people’s perception of crime

Where relevant Overview and Scrutiny will set up panels to undertake pre-scrutiny of key issues. In 2012/13 for example a panel was set up to “pre-scrutinise” LGSS and review the process as the partnership arrangement was developed.

The Council’s Overview and Scrutiny (O&S) Committee is a very effective model, both for pre-decision investigations, and for a call-in process to scrutinize decisions of the executive. An evaluation of the Overview and Scrutiny process at Northampton took place using the Centre for Public Scrutiny (CfPS)’s framework “Accountability Works for You”, together with two mini peer Reviews undertaken by Officers and Councillors from Broxtowe Borough Council and Rugby Borough Council. It had some very positive outcomes, acknowledging the achievements made, a number of which have been recognised as best practice. The annual report of the Overview and Scrutiny Committee was presented to Council on 10th June 2013.

5.5 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.

Compulsory training for members on the Community Enabling Fund took place in 2012/13. Members were not permitted to use the fund without completing the course which covered a broad range of topics including Financial Regulation, Standards, legal duties, etc.

The training explained the links between the Local Government Act 2000 and the community leadership role enhanced by the implementation of the Councillor Community Enabling Fund. It went on to cover members' responsibilities under financial Regulations and Standards including value for money and avoiding conflicts of interest.

In terms of legal duties the training covered relevant legislation including the Bribery act 2010, the Fraud Act 2006, and emphasised the importance of keeping the Register of Members' Interests up today as well as highlighting their duties acting as stewards of the Council's assets and acting in the public interest.

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

The Council's community engagement activities were brought together into one overarching strategy in 2009. The key principles of the strategy are that:

- All communities should be involved in the decisions that affect them
- All communities deserve high quality public services, shaped around their needs
- Council policies and strategies should reflect local priorities, requirements and aspirations.

The Community Engagement Strategy recognises the diversity of our communities, the importance of community capacity building and the need to provide appropriate opportunities for customers and communities to participate at whatever level they wish to influence service delivery, decision making and policy development.

The Community Engagement Strategy aims to support strong, active and inclusive communities, who are informed and involved in decision-making and enable us to improve public services to enhance quality of life in Northampton. By this we mean:

- strong communities, who can form and sustain their own neighbourhoods, bringing people together to deal with their common concerns
- active communities, where people are supported to improve quality of life in their own communities
- influential communities, where all sections of the community feel they have opportunities to be involved in decision-making and influence public services

6 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 2012/13 for a review is below.

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

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 contributions from senior managers included suggestions for training to improve clarity of officer and member roles, that advertising for member development opportunities encourages take up, the need to promote officer challenge, improving project management and transparency of decision making, capacity concerns and other risks arising from the speed of change (driven at a national level), the need to refresh the management vision, and improving engagement with stakeholders and local people. Many of these issues are addressed by the Programme and Project Governance Structure implemented in 2012/13. (See paragraph 5.2.7 above).

Internal Audit, under the terms of engagement, is 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 2012/13 the audit plan was agreed at the Audit Committee meeting on 19th March 2012.

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.





Individual Findings are rated using the guidelines shown in the following table.

Finding rating	Assessment rationale
Critical	A finding that could have a: <ul style="list-style-type: none"> • Critical impact on operational performance (quantify if possible); or • Critical monetary or financial statement impact (quantify if possible = materiality); or • Critical breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High	A finding that could have a: <ul style="list-style-type: none"> • Significant impact on operational performance (quantify if possible); or • Significant monetary or financial statement impact (quantify if possible); or • Significant breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • Significant impact on the reputation or brand of the organisation (quantify if possible).
Medium	A finding that could have a: <ul style="list-style-type: none"> • Moderate impact on operational performance (quantify if possible); or • Moderate monetary or financial statement impact (quantify if possible); or • Moderate breach in laws and regulations resulting in fines and consequences (quantify if possible); or • Moderate impact on the reputation or brand of the organisation (quantify if possible).
Low	A finding that could have a: <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance (quantify if possible); or • Minor monetary or financial statement impact (quantify if possible); or • Minor breach in laws and regulations with limited consequences (quantify if possible); or • Minor impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Each of these rating levels attracts a set number of points as shown in the table below.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

The aggregate number of points an audit has scored indicates the overall level of risk of that control area. The number of points for each level of risk is shown in the table below.

Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

The program of internal audit work for the year ended 31 March 2013 included 27 reviews (including value enhancement reviews). This resulted in the identification of 0 critical, 0 high, 16 medium, and 48 low risk findings to improve weaknesses in the design of controls or operating effectiveness.






The audit plan was scoped to address the Council’s key risks and strategic objectives. Each review was mapped to these areas in the 2012/13 Internal Audit plan. The internal audit plan was completed in line with the set timescales and training on fraud awareness was delivered in the year. The plan included 4 pieces of “value enhancement” work:

- Anti-fraud awareness training
- National Fraud Initiative data matching
- Conflict of Interest Review
- Support for HR project.

Based on the work completed, internal audit believe that there is some risk that management’s objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management, and internal control.

Internal Audit noted that the majority of functions audited in 2012/13 were low risk and that only the Housing Rents function of the areas audited in this year had worse control than in 2011/12. The direction of control is overall one of improvements in control at the Council as shown by the following diagram, which has been amended to reflect the final Housing Allocations Audit Report for 2012/13.

Direction of Control Travel

Finding Rating	Trend Between Current & Prior Year	Number of Findings		
		2012/13	2011/12	2010/11
Critical		0	0	0
High		0	4	5
Medium		16	30	62
Low		48	38	63
Total		64	72	130

It should be noted that the mix and focus of the internal audit plans have differed between years and therefore these results may not be directly comparable.

The Internal Audit service is subject to a review by the council’s external auditors, the Audit Commission, who place reliance on the work carried out by the section.

7 Significant Governance Issues

7.1 Review of the previous year’s Significant Governance Issues

The 2011/12 Annual Governance Statement highlighted significant control weaknesses in the following areas:

Significant Control Weakness areas	Action to address weakness
<p>Procurement Two high risk findings were identified:</p> <p>Copies of Contracts Signed copies of contracts selected for testing could not be located by the services responsible for managing the contracts.</p> <p>Compliance with Procedures Sample testing of procurement transactions pointed to a number of issues with the cases tested; for example members of staff ordering goods often did not obtain the minimum required number of quotations, or comply fully with tender processes prior to purchasing goods or services. This leads to increased risks of poor value for money and inappropriate or unauthorised transactions.</p>	<p>Measures are now in place to remove this risk. Procurement has created, updates and maintains a contract database for all contracts that are notified to Procurement.</p> <p>The Good Procurement Summary Guide was updated and is available on the intranet. A training package has been developed and is expected to go live after the transition to LGSS. It was felt that it would be inappropriate to launch the training package until the LGSS move had been completed and its full implications understood. This risk has been mitigated to some extent through the delivery of high level procurement training at the Managers meeting, targeting everyone from team leader and above. The procurement team also routinely attend senior management team meetings to discuss procurement procedures.</p>
<p>Voids The void properties review (11_12 NBC Voids 02) focussed on controls in place over the management of void council houses. The review focussed on void operational management, void management information, and cost control. We identified one high finding that management information on voids is undermined because data on the Integrated Business Solutions (IBS) housing system is wrong in a number of cases and unlettable periods have been calculated incorrectly. This makes the Council's performance look better than it actually is. The root cause is that IBS is not updated fully when properties become lettable following unlettable periods, such as when major works have occurred.</p>	<p>Management welcomed the information in the report put in place an action plan to address all issues raised. Resources were identified to perform additional work to review the extent of this issue and the impact on the void (or 're-let') period. The average void period was recalculated to determine the overall effect of this on reported data.</p> <p>The procedures were reviewed and updated to ensure they clearly set out this aspect of the voids process and training was put in place. Following training monthly checks were implemented to ensure the accuracy of dates recorded on IBS and to ensure agreed procedures are followed; any necessary corrective and preventative action was then taken.</p> <p>The 2012/13 review of Voids reported positively on the intention of key staff members to put measures in place to improve performance relating to the reduction of unlettable days.</p>

<p>Performance Indicators</p> <p>The Council sets housing performance indicators to assess their performance against a number of qualitative and quantitative targets. This review looked to understand and comment on the quality of data collated by the Council for measurement of performance.</p> <p>For indicator HI 16 (Average number of days taken to resolve ASB cases), the start and end dates days for cases used to calculate this indicator should be supported by evidence to verify the case has been opened/closed (e.g. telephone notes or letters issued). In 4/10 cases tested, the dates used to calculate the days did not agree to supporting documentation. It has been established this is because officers are not always certain of the correct trigger for the start date (i.e. the initial contact or when the case was brought to the attention of the Council) In a further 5 cases, there was no evidence retained to support the dates. This is because no paper file was opened when the initial complaint was received.</p>	<p>The correct trigger date has now been identified and documented and all relevant staff have been trained in this area. Evidence to support the dates is now being retained to support those dates; paper files are now opened each time a complaint is received.</p>
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7.2 This year's Significant Governance Issues

No significant control weaknesses were identified by Internal Audit for 2012/13.

7.3 Areas of Good Practice

Internal Audit also identified a number of areas where few weaknesses were identified and / or areas of good practice.

The following reviews were classified as low risk for 2011/12:

- Council Tax
- Budgetary Control
- General Ledger (part of core financial systems review)
- Debtors (part of core financial systems review)
- Creditors (Agresso) (part of core financial systems review)
- Cash and Banking (part of core financial systems review)
- Fixed Assets
- Payroll
- Housing Benefits
- Debt Recovery
- Human Resources – Potentially Violent Persons
- Landlord Services – Gas Safety/Property Transfer
- Strategic Housing – Accounting for Grant Income
- Policy and Community Engagement- Equalities
- Cultural Services – Museum Security
- Conflicts of Interest

The majority of functions audited in 2012/13 were low risk and only the Housing Rents function audited in the year was identified as having worse control than in 2011/12.

8 Conclusion

The Council proposes to address the above matters, as set out in the table, to further enhance governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and the progress of these will be monitored during the year and their implementation and operation will be reported on as part of our next annual review.

9 Approval of the Annual Governance Statement

In accordance with the appropriate regulations, the Annual Governance Statement was approved by the Audit Committee on **XX September 2013** at the same time as the statement of accounts was approved.