

## **ANNUAL GOVERNANCE REPORT 2008**

**Report By: Director of Resources**

### **Wards Affected**

1. None.

### **Purpose**

2. To introduce the external auditor's Annual Governance Report for 2008 which sets out:
  - a. Their opinion on the financial statements for 2007/08 approved by the Committee on 20 June 2008.
  - b. Their opinion on the council's arrangements for securing value for money.
  - c. Their recommendations for further improvements in the council's governance arrangements arising from their audit work.

### **Financial Implications**

3. None arising directly from this report.

## **RECOMMENDATIONS**

**THAT:**

- (a) The Audit & Corporate Governance Committee discusses the content of the Annual Governance Report for 2008 attached to this report with the external auditor.**
- (b) The Audit & Corporate Governance Committee agrees the proposed action plan in response to the recommendations contained in the Annual Governance Report for 2008.**
- (c) The Audit & Corporate Governance Committee approves the Letter of Representation (Appendix 1 of the Annual Governance Report 2008 attached to this report refers) for signature by the Chair of the Committee and the Director of Resources.**

## Reasons

4. The statutory Code of Audit Practice in Local Government Bodies requires the external auditor to make a report to those charged with governance that summarises the conclusions they have drawn from their audit work and their opinion on the financial statements and value for money. The Council's Constitution sets out the Audit & Corporate Governance Committee's responsibilities for matters of governance.

## Considerations

5. The external auditor will present the Annual Governance Letter for 2008.
6. The Audit Commission anticipates issuing an unqualified opinion on both the statement of accounts for 2007/08 and the council's arrangements for securing value for money by the statutory deadline of 30 September 2008.
7. The adjustments to the statements of final account for 2007/08 approved by the Audit & Corporate Governance Committee in June 2008 resulting from the external auditor's review are trivial in nature. As such, the external auditor has confirmed that the amendments do not need to be approved by the Committee.
8. The Audit Commission has not identified any material or significant issues to bring to the Committee's attention this year. The Annual Governance Report 2008 does however include two recommendations made for completeness of the record of both internal and external audit activity relating to 2007/08. The table below sets out the management response to both recommendations, outlining action that has already been taken and that proposed for the future.

<b>Recommendation</b>	<b>Responsible Officer</b>	<b>Management Response &amp; Proposed Action Plan</b>
1. Address issues raised in relation to the system for paying nursing homes.	Director of Integrated Commissioning  Director of Adult Social Care	The external auditor's recommendation relates to findings in last financial year. Systems and procedures have been improved since that time to ensure robust financial management is in place. All proposed placements are now the subject of a weekly panel decision making process. Placements are no longer made until a contract has been agreed with the nursing home concerned. Monthly budget meetings are held so that timely checks can be made to ensure that the new procedures are being followed.

Recommendation	Responsible Officer	Management Response & Proposed Action Plan
<p>2. Review pooled budget arrangements with the PCT including ensuring governance arrangements are updated and signed agreements are in place.</p>	<p>Director of Integrated Commissioning</p> <p>Director of Adult Social Care</p>	<p>Five separate joint arrangements have been in place with the PCT for over 6 years and are underpinned by signed agreements including an outline of each organisation's budget contribution.</p> <p>The services covered by these agreements are mental health, learning disability, an intermediate care centre, an integrated community equipment store and a health and social care residential and respite unit.</p> <p>Whilst currently not operating as a fully pooled budget with agreed risk sharing protocols in place, the services are managed jointly and performance – including financial performance - is monitored the Adult Commissioning Board (ACB). The ACB includes director level representation from both organisations, the lead Cabinet Member for adult social care and the Chair of the PCT Board.</p> <p>The ACB has agreed that the joint arrangements will be reviewed and strengthened following the arrival of the Director of Integrated Commissioning in August 2008. This review will encompass the pooling of budgets and risk sharing arrangements.</p> <p>The council allocated additional resources for the learning disabilities service in 2008/09 to ensure the budget is more realistic. The PCT and the council have also agreed to review a number of individuals with very complex needs under the new Continuing Health Criteria. This could reduce the pressure on the council's budget for this service although it will not reduce the total expenditure for a future pooled budget.</p> <p>The ACB has agreed a budget recovery plan for mental health services and this is being implemented.</p>

## **Risk Management**

9. The Audit & Corporate Governance Committee is charged with responsibility for corporate governance and will monitor progress made by management in addressing the issues identified in the external auditor's Annual Governance Letter for 2008. The Chief Internal Auditor will report progress in the internal audit assurance report he presents at each of the Committee's meetings.

## **Background Papers**

Annual Governance Letter 2008 (attached as an appendix to this report).