

Draft Annual Governance Statement 2011/12

1. **Scope of responsibility**

- 1.1 Herefordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, 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, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. These include arrangements for the management of risk.
- 1.3 The Council has adopted a code of corporate governance that is consistent with the principles of the Chartered Institute of Public Finance & Accountancy ("CIPFA")/Society of Local Authority Chief Executives ("SOLACE") framework for delivering good governance in local government. A copy of the code can be obtained from the Assistant Director – Law, Governance and Resilience.
- 1.4 The Annual Governance Statement for 2011/12 explains how the Council has complied with its code of corporate governance. It also explains how 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 have been met.

2. **The purpose of the Governance framework**

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Council is managed and controlled. The framework also sets out how the Council accounts to, engages with and leads the community.
- 2.2 The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.3 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 as an individual's failure to comply with policies and procedures, even when provided with comprehensive training on them, can never be entirely eliminated.
- 2.4 The system of internal control is based on an ongoing process designed to:

- (a) identify the risks to the achievement of the Council's policies, aims and objectives;
- (b) evaluate the likelihood and impact of the risks should they be realised; and
- (c) identify and implement measures to reduce the likelihood of the risks being realised and to negate, or at least mitigate, their potential impact.

3. The Governance framework

3.1 The Council's corporate governance framework was approved by the Audit and Corporate Governance Committee on 21 November 2008. It seeks to ensure that the principles of good governance are embedded into all aspects of the Council's work. The five principles agreed by the Audit and Corporate Governance Committee have been linked to the six principles of good governance outlined in the SOLACE/CIPFA publication "Delivering good Governance in Local Government".

3.2 For ease of reference, the following table matches the Council's set of principles with those contained in the SOLACE/CIPFA guidance:

SOLACE/CIPFA Guidance - Principle 1	Focusing on the purpose of the authority, on outcomes for the community and creating and implementing a vision for the local area.
Council – Principle 1	Provide the best possible service to the people of Herefordshire.
SOLACE/CIPFA Guidance - Principle 2	Members and officers working together to achieve a common purpose with clearly defined functions and roles.
Council – principle 2	Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness.
SOLACE/CIPFA Guidance - Principle 3	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
Council – Principle 3	Require high standards of conduct.
SOLACE/CIPFA Guidance - Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
Council – Principle 4	Take sound decisions on the basis of good information.

SOLACE/CIPFA Guidance - Principle 5	Developing the capacity and the capability of members and officers to be effective.
Council – Principle 2	Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness.
SOLACE/CIPFA Guidance - Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability.
Council – Principle 6	Be transparent and open: responsive to Herefordshire's needs and accountable to its people.

- 3.3 To comply with the Code of Governance (approved by Council on 31 October 2008) the following has been carried out:

Principle 1 – Provide the best possible service to the people of Herefordshire

- 3.4 The Council continues to develop the partnership with NHS Herefordshire, with work being done on the best approach to shared service delivery. The Council and PCT work as one organisation to plan, purchase, design and deliver care around people's individual needs close to where they live. There is a single corporate plan with shared targets, one set of agreed values, a joint management team, and several joined up teams and services.
- 3.5 In April 2011 the Council along with NHS Herefordshire and Wyre Valley NHS Trust set up a Joint Venture (JV) Company to deliver shared services to all partners. The Company, called Hoople Ltd, was formally established on 1 October 2012, and has made year good progress in implementing the structures required to ensure sound governance and robust internal control – it has a Board and other committees in place. Hoople Ltd provides a range of services for its owners including ICT, financial services, HR and training. The Council has made substantial savings, in excess of £500k, through transferring services to Hoople Ltd.

The Council also continues to work on its 'Rising to the Challenge' programme which aims to transform the way in which services are delivered. 'Rising to the Challenge' consists of five work streams, each of which has a Executive lead sponsor, including Customer Focus, Communities First, Streamlining the Business, Better Services and People and Performance. Each work stream consists of a number of projects. The programme has been successful to date and allowed the Council to make savings of over £7m.

3.6 The Council has a Joint Risk Management and Assurance Policy and Joint Risk Management Assurance Guidance which was approved by Cabinet in September 2011.

3.7 The Council has an Environmental Management System (British Standard 14001).

Principle 2 – Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness

3.8 The Constitution clarifies roles and responsibilities and ensures accountability for setting the policy framework, including the corporate objectives and long term outcomes in the Corporate Plan, for fulfilling executive functions including a much clearer scheme of delegation to officers, improved planning arrangements and greater clarity of roles for all councillors.

3.9 The Audit and Governance Committee's Terms of Reference have been enlarged to provide for regular review of the Constitution. This provides a regular forum for improvement.

3.10 The Chief Executive is the Head of Paid Service, the Chief Officer – Finance and Commercial Services is designated the Section 151 Officer and the Assistant Director – Law, Governance and Resilience is designated the Council's Monitoring Officer.

3.11 There is a formal staff performance review requirement for all officers.

Principle 3 – Require High Standards of Conduct

3.12 A regular programme of member training has been delivered and induction for new members. A half day session on member/ officer relations was particularly well attended.

3.13 The work on ethics and standards as been dominated by the preparations for the new standards regime under the Localism Act 2011. County, parish and independent members of Standards Committee have produced a draft code and draft system for determining complaints under that code. At the year end, we were awaiting secondary legislation from government

3.14 There are Codes of Conduct for Members and Officers.

3.15 Complaints cases have continued to be determined locally, and we have dealt with 55 complaints between March 2011 and May 2012. Out of these:

25 required no further action;

1 was referred to the Monitoring Officer for training of a councillor;

2 were referred to the Monitoring Officer for written guidance to councillors;

5 were referred to the Monitoring Officer for investigation;

3 were withdrawn;

1 is awaiting assessment; and

18 were referred to Standards for England for investigation.

Out of these 18: Standards for England investigated eight and decided that no further action should be taken on them. It did not investigate six and decided that no further action should be taken on those, and it referred four back to the original assessment subcommittee for further consideration in view of Standards for England's impending closure. The assessment sub-committee subsequently decided to take no further action on those four.

Of the 55 complaints, 37 were made about parish/town councillors; and 18 were about Herefordshire Councillors.

- 3.16 Just over a third of all allegations related to members bringing their office into disrepute (Paragraph 5 of the Code of Conduct). Bullying, or failing to treat others with respect, accounted for another third. There were also a significant number of allegations about aspects of members failing to declare interests (Paragraphs 8-12 of the Code), and members using their positions to secure an advantage for themselves (Paragraph 6 of the Code). We also received a number of complaints about disclosing confidential information (Paragraph 4 of the Code).
- 3.17 Of the 37 complaints against parish or town councillors, 30 related to members of the same council. 18 of those required no further action, 18 were referred to Standards for England and one was withdrawn. Of the remaining seven parish/town council complaints, five required no further action, one was referred for training and one was referred for investigation.
- 3.18 In respect of Herefordshire Councillors, no action was required in 10 cases, two cases were referred to the Monitoring Officer for other action, such as training or written guidance, four were referred for investigation and two were withdrawn.
- 3.19 The Council has shared values, which act as a guide for decision-making and a basis for developing positive and trusting relationships within the Council.
- 3.20 There are procedures and policies in place to ensure that Members and Officers are not influenced by prejudice, bias or conflicts of interest when making decisions and when dealing with stakeholders.
- 3.21 A register of members' interests is maintained and updated on a regular basis.
- 3.22 An updated Anti-fraud and Anti-corruption Policy is in place.
- 3.23 A Whistle-blowing Policy is in place and forms part of the Council's Constitution. This was reviewed in December 2011
- 3.24 There is a formal Monitoring Officer Statement in relation to the use of the Monitoring Officers powers.

- 3.25 Written assurances are received from key managers. These assurances highlight areas of concern and confirm that the service areas has effective controls in operation.

Principle 4 – Take sound decisions on the basis of good information

- 3.26 There is an overview and scrutiny function that encourages constructive challenge.
- 3.27 The Council has an Audit and Governance Committee, which is independent of the executive and scrutiny functions.
- 3.28 The Council has a report writing framework and template which have been developed to ensure that all reports have contributions from key support officers, eg finance, legal, risk management and consultation. Report writing guidance makes it clear what other matters should be considered when preparing reports, eg equalities and human rights, alternative options.
- 3.29 Decisions made by Cabinet and Committees are based upon written reports as presented.
- 3.30 There is a Data Quality Policy previously agreed by Cabinet in May 2008 and updated in July 2010.

Principle 5 – Be transparent and open: responsive to Herefordshire's needs and accountable to its people

- 3.31 All meetings are held in public unless there are legal reasons for confidentiality.
- 3.32 The format of the Cabinet meeting is designed to ensure greater transparency of decision-making and to emphasise the separate roles of cabinet members, scrutiny members, political group leaders and to ensure that those in attendance express the views of the members of the Committee or group that they represent.
- 3.33 All Committee agendas, reports and minutes are publicly available on the Council's website other than for confidentiality reasons.
- 3.34 The public are allowed to ask a question at Council as long as a copy of the question is deposited with the Assistant Director – Law, Governance and Resilience.
- 3.35 There is a Herefordshire Customer Insight Unit, established as a single point of contact for Herefordshire Council and the Primary Care Trust. The unit is made up of officers from across the Council and Primary Care Trust, who work together to administer and monitor feedback such as feedback and complaints. Every directorate receives monthly performance reports relating to feedback.
- 3.36 Since being established in January 2010, a total of 177 compliments and 352 complaints have been received. It should be noted that no complaints

escalated to the Local Government Ombudsman or to the Parliamentary and Health Service Ombudsman were upheld.

- 3.37 Arrangements are in place for the Council to inform the public about council services and service developments and these include the publication of the Herefordshire Matters Magazine, which is sent to every household in the county on a quarterly basis. This is supplemented by regular press and media notices.
- 3.38 Further information about services can be found on the Council's website and through other channels. For example, local election results were announced via Twitter in a pilot exercise during the 2011 local elections., which was well received. Another example, was in 2011 when a new school's closure notification system was implemented whereby rather than phoning the council to ascertain information about school's closures, parent's and carer's can now subscribe to an email/ text notification system. When the local school manager updates the system regarding closures those people who subscribe to the service get an automatic notification.
- 3.39 In line with legislation, the council publishes all information relating to expenditure of over £500 on the website. As required by the Localism Act the council has agreed and also publishes a pay policy statement, which details the remuneration of senior officers.

4. Review of effectiveness

- 4.1 Herefordshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. 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 Chief Internal Auditor reports on the audits conducted throughout the year and also by comments made by the external auditor and other review agencies and inspectorates.
- 4.2 The process of review is continuous and results in the Chief Internal Auditor's assurance reports presented at each meeting of the Audit & Corporate Governance Committee. These reports are used to inform the Annual Governance Statement. The Annual Governance Statement is signed by the Leader of the Council, the Chief Executive, the Chief Officer – Finance and Commercial Services and the Assistant Director – Law, Governance and Resilience.
- 4.3 The main independent sources of assurance on the operation of the corporate governance framework are the Council's Audit Services team, its external auditors, other external review bodies and the Audit and Governance Committee.
- 4.4 The review of effectiveness for the current financial year identified that the following work had been undertaken in 2010/11 in relation to the key aspects of the Council's governance framework outlined in paragraphs 4.5 to 4.76.

(A) Constitution

At its meeting on 13 November 2009, the Council tasked the Monitoring Officer (Assistant Director – Law, Governance and Resilience) to undertake further work on the constitution under the direction of the Constitutional Review Working Group (CRWG). During 2010/11, the Council continued with Phases 2 and 3 of its Constitutional review.

- 4.5 The Audit and Governance Committee's Terms of Reference have been enlarged to provide for regular review of the Constitution. This provides a regular forum for improvement.
- 4.6 One decision made by Cabinet was called in during 2011/12 as follows:
 - (a) concerning a new sustainable model of business for the delivery of the Music Service
- 4.7 On 25 May 2012, the Annual Report of the Overview and Scrutiny Committee was presented to Council. The report summarised the work undertaken by the five Scrutiny Committees in 2011/12.

(B) Corporate Objectives and Priorities

- 4.8 At their meetings, respectively on 28 January 2010 and 5 February 2010, the PCT Board and Council approved the high level vision, themes, strategic objectives and long term outcomes for the Joint Corporate Plan 2010-13. On 14 June 2012 Cabinet received a report on 'Understanding Herefordshire' (the integrated evidence base and needs assessment); in light of this Cabinet have agreed that a review of the Corporate Plan be undertaken and the recommendations of Cabinet regarding a refreshed Corporate Plan are scheduled for Council consideration in November.
- 4.9 The Joint Corporate Plan is supported by an annually refreshed delivery plan; the most recent iteration of the delivery plan, including measures and projects, was approved by Cabinet on 5 April 2012.
- 4.10 The Plan provides the starting point for performance monitoring reporting and management across the Council, which is supplemented by a range of organisational performance indicators.

(C) Medium Term Financial Strategy

- 4.11 The Medium Term Financial Strategy was developed in line with the Council's approved financial procedures. There was an integrated approach to corporate, service and financial planning processes. It is a joint plan with Herefordshire PCT.
- 4.12 The updated Medium Term Financial Management Strategy for 2011/14 was presented to Cabinet on 19 January 2012. Cabinet recommended to Council the recommendations for updating.
- 4.13 In their Annual Audit Letter dated November 2011 the Audit Commission noted that "The Council did well to comply with the requirements of International Financial Reporting Standards (IFRS), adopted for the first time

in the 2010 CIPFA Code of Accounting Practice (the Code). The Code introduced numerous new requirements, the most significant of which related to accounting for leases, property, plant and equipment, grants and contributions. The project to implement IFRS was very well managed and included regular progress reports to the Audit & Governance Committee”.

(D) Code of Governance

- 4.14 The Audit & Corporate Governance Committee approved the Annual Governance Statement for 2010/11 at its August 2011 meeting.
- 4.15 The Audit and Governance Committee considered the Audit Commission’s Annual Governance Report at their September 2011 meeting. The Audit Commission made five recommendations which were accepted by the Council.

(E) Financial management arrangements

- 4.16 The Audit Commission’s Annual Audit and Inspection Letter dated November 2011 highlighted the Council has generally good financial management arrangements. In particular the Council had well established medium term financial planning and budgeting to support the delivery of corporate and community plans.
- 4.17 The Council had an overspend of £238,000 in 2011/12; this was funded from the general fund .
- 4.18 The Council established Hoople Ltd in October 2011. Since this date a number of the Council’s financial management processes have been undertaken by Hoople on behalf of the Council such as the production of monthly budgetary control statements which are distributed to officers within the Council. Hoople also input into the Council’s medium term financial planning process through the production of cash flow forecasts. The Council obtains assurance on how effectively financial management controls within Hoople have been applied in a number of ways. This includes Audit Services completing internal audit reviews of key systems which are then reported to the Council’s management and the Audit and Governance Committee.

For 2011/12 there is a new requirement for the Council to declare whether it conforms with the financial management arrangements prescribed in the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and set out in the Application Note to *Delivering Good Governance in Local Government: Framework*.

It is a matter for an individual council to assess whether it wishes to confirm with the recommended financial management arrangements in the CIPFA statement. The council has taken the view that it broadly complies with most key aspects. However, it has decided not to follow CIPFA’s statement about the position in the organisation of the lead financial role in the authority but has taken steps to allow access of the S151 role to both the Chief Executive and Leadership Team.

(F) Performance management arrangements

- 4.19 The Council has a joint performance improvement framework which underpins the Joint Corporate Plan. The performance improvement framework encompasses the Council's arrangements for preparing directorate and service plans in support of corporate priorities.
- 4.20 The arrangements for monitoring performance within directorates and reporting progress to members is established and culminated in quarterly Integrated Corporate Performance Reports to Cabinet in 2011/12. The performance reports detail performance against the key priorities, performance measures and commitments as included in the Joint Corporate Plan. In addition, as part of the report, each directorate now provides a commentary highlighting other performance related issues that were not part of the original Joint Corporate Plan, including those of partners.
- 4.21 The framework is being updated for 2012-13 to better illustrate the performance of our strategic partners in enabling the Council to deliver against its agreed priorities.
- 4.22 The end of year Integrated Corporate Performance Report was presented to Cabinet on 14th June 2012. In summary the report states that:
- Direction of travel: For those indicators where data has been reported that can be compared with the same period last year, 56.8% are showing improvement (50.7% in 2010-11).
 - Achievement of targets: where either end of year or latest data is available 64% have achieved or exceeded target.
 - Delivery of projects: the majority of projects either have been delivered to schedule or are on target.

(G) Risk management arrangements

- 4.23 Since April 2011, the Council has developed its approach to risk management to ensure that processes are consistent across the organisation at a Directorate level. A single framework has been adopted for the documentation of strategic and operational risks, based upon an Excel spread sheet model. The approach includes reporting the strategic risks which arise from Directorates through to the HPS Leadership Team, with overall Directorate risks reported to the Resilience Group
- 4.24 The role of the Resilience Group is to develop and implement a consistent approach to risk management across HPS, promoting a risk management culture. In addition, its role includes reviewing significant new and emerging risks and monitoring the effectiveness of risk escalation to the Leadership Team.
- 4.25 The Council approved its Risk Management and Assurance Policy and Guidance in September 2011; it reflects good practice principles and as a consequence the design of the process is considered effective.. The Policy includes the roles and responsibilities of Officers and Groups across the

Council, and documents the process for risk identification, control, reporting and monitoring. Director's and Managers are responsible under the Risk Management Policy to manage risks assigned to them, ensuring effective risk management processes are in place. This includes the reporting of significant risks and those risks where there is inadequate control to the relevant Committee or Board.

- 4.26 The formal arrangements which have been developed are at a Directorate and Division level. Service areas and teams have been encouraged to discuss risk management and develop risk management arrangements; however, there is not prescriptive format for the recording of risks at this level, as is in the case of Division and Directorate level.

(H) Anti-Fraud, anti-corruption and whistle-blowing arrangements

- 4.27 The Council has anti fraud and corruption and Whistle-blowing policies which were last updated in October 2011. These policies are available on the Intranet. Staff induction includes ensuring employees are aware of all relevant policies and procedures. Reminders are issued throughout the year through corporate communication channels. There were 2 whistleblowing incidents recorded for 2011/12.

- 4.28 The Council suffered a suspected fraud in February 2012 whereby a false invoice was paid. This matter is with the Police and the Council has been informed that the monies will be repaid. In response to the fraud, the Council has:

- prepared a case file (through Internal Audit) which has been given to the Police to assist them;
- under the direction of the Chief Officer – Finance and Commercial reviewed the circumstance of the fraud and sought to close down weaknesses that allowed the fraud to be committed; and
- undertaken further work to assess whether there have been further fraudulent payments – no issues were found.

(I) Project management arrangements

- 4.29 The Council has adopted the Prince 2 project management methodology for all major programmes and projects. The key principles of the Prince 2 methodology are applied to the management of less major projects. There is a Corporate Programmes team with project management responsibilities.

- 4.30 The Joint Corporate Plan 2010-13 contains a large number of projects. The status of projects is monitored through the quarterly Integrated Corporate Performance Report presented to Cabinet.

(J) Community engagement

- 4.31 The Community Engagement Framework is about developing a dialogue between public agencies and the local communities - listening, talking and

working together, so that people are involved in addressing the issues that impact on their lives and feel they are able to influence service providers and vice versa.

- 4.32 Implementing the Framework is happening in tandem with the Locality Strategy. To take this forward, as well as ensuring more effective co-ordination in those areas on which HPS needs to engage with citizens, HPS and its partners are also supporting mechanisms and facilitating opportunities for communities to be proactively engaged in issues which matter to them. The latter includes existing mechanisms such as parish plans, together with new opportunities provided through locality working.

(K) Data Quality

- 4.33 Although the Council recognises the importance of data quality and had a data quality action plan aimed at improving the quality of arrangements in place, the organisational changes during 2011 meant that no plan was put in place for 2011/12.
- 4.34 The essential elements of the previous 2010 quality action plan were completed and 'signed off' by Cabinet on 22 July 2010 accepting that 7 tasks remained amber rated. This was an improved position when compared to the prior year when some tasks were rated as 'red'. The existing DQ action plan is now almost 2 years out-of-date. Therefore the People, Policy, and Partnerships division of Corporate Services will be reviewing the legacy data quality action plan in 2012/13 in order to create a new DQ plan.
- 4.35 The need to maintain and improve data quality remains critically important and the review and resulting 2012/13 action plan will be reported through the new Information Management & Technology (IM&T) governance arrangements. The actions agreed will then be monitored through the integrated corporate performance report to Cabinet & the Overview and Scrutiny Committee rather than by separate reports.
- 4.36 There is a Data Quality Policy previously agreed by Cabinet in May 2008 and updated in July 2010. This is due for review in May 2013.

(L) Independent review

- 4.37 The Audit and Governance Committee met six times during the year. The Committee received reports from officers, Audit Services and the Audit Commission in a number of areas including internal control, external audit and governance.
- 4.38 The Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003. The responsibility is delegated to the Chief Officer - Finance and Commercial Services. This Officer also has responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

- 4.39 *The Audit Services Team operates in accordance with best practice, professional standards and guidelines. The Team independently and objectively reviews, on a continual basis, the extent to which reliance can be placed on the internal control environment. This is evidenced by the opinion given on the Council's overall system of control by the Interim Head of Audit which is satisfactory for 2011/12.*
- 4.40 The Audit & Corporate Governance Committee receives interim and annual reports on internal audit activity and approves the annual audit plan and Audit Strategy.
- 4.41 The Audit Commission's Annual Audit and Inspection Letter dated November 2010 highlighted that they placed reliance on the work of Internal Audit in relation to substantive tests that addressed the risks of mis-statement identified.
- 4.42 Ombudsman responsibility passed this year to the CIU
- 4.43 Audit Services have completed their work on the Council's financial and other key systems. The majority of systems were graded as either Substantial or Adequate. Six areas were graded as providing "Limited Assurance", these were General Ledger, Accounts Payable, Agresso IT controls, Health and Safety and Business Continuity.

(M) External Inspections - Audit Commission Annual Audit and Inspection Letter (November 2011)

- 4.44 The Audit Commission in their Annual Audit Letter stated that the Council is managing and using its money, time and people to deliver value for money. The Letter notes that further work is required to ensure that more effective measures are put in place to address the main risk of adult social care over spending.
- 4.45 The Audit Commission also noted the Council has put in good governance arrangements to deliver anticipated savings. However, these processes could be improved, through clearer reporting to Cabinet.

Information Technology Security Techniques (ISO 27001)

- 4.46 The external assessor SGS completed their 2011/12 audit in December 2011, and concluded after a further visit in March 2012 that Herefordshire Council ICT Services has maintained its information security management system in line with the requirements of the standard.
- 4.47 The Council's ISO27001 certification was continued.

(N) Assurances by Key Managers

- 4.48 *Written assurances have been received from key managers. These assurances highlight areas of concern and confirm that:*

(a) *action is being taken on recommendations from audit reviews;*

- (b) *council money is being banked promptly and that reconciliations to the Council's corporate finance systems are up to date;*
- (c) *gifts and hospitality have been declared in line with Council policy;*
- (d) *effective controls are operational in each service area.*

4.49 *Written assurances have also been received from directors and heads of service, giving assurance that there are no incidents of suspected fraud or corruption within their service area*

5. Significant Governance issues 2011/12

There were three significant internal control issues identified in the Annual Governance Statement for 2010/11. The progress made on these issues are set out below:

- *the Council continue to embed Risk Management, improve the control framework within the Council's key systems and develop the control environment in relation to Hoople.* - All of these areas have been progressed by the Council. Improvements have been made to the Risk Management framework within the Council, such as ensuring that risk is considered by the Council's senior management team through discussion and analysis at the Resilience Group, although further improvements are required to ensure that risk management practices are consistently implemented across the Council.
- The Council have also developed the control framework in relation to Hoople. Audit Services stated within their report in relation to Hoople that the organisation has made good progress in implementing the structures required to ensure sound governance and robust internal control, although further work is required so that these processes are embedded within the Company. The Council have managed to ensure that controls within some of its key systems are consistently implemented.
- However, Audit Services have identified that significant improvements are required in key areas, such as Health and Safety and Business Continuity. This has been raised as a Significant Control Issue for 2011/12

5.1 The significant governance issues identified as a result of the annual review of the Council's governance arrangement are as follows:

5.2 Audit Services completed reviews of the Council's financial management functions undertaken on their behalf by Hoople. They concluded that further significant work was required to ensure controls are effectively implemented within the Accounts Payable and General Ledger functions. (Chief Officer – Finance and Commercial Services).

- 5.3 The Council also need to develop IT controls within its Agresso system to ensure that any data held is protected and secure. (Chief Officer – Finance and Commercial Services).
- 5.4 Two areas within the Council’s corporate function also require further development. Key controls within its Health and Safety and Business Continuity functions need to be established to ensure that these functions can effectively meet their objectives. (Assistant Director – Law, Governance and Resilience).
- 5.5 The Council has experienced significant overspends in relation to Adult and Social Care – it has a detailed project plan to address financial management issues and has set up a Project team to address a number of control issues.

Cllr John Jarvis
Leader of the Council

Signed:
Date:

Chris Bull
Chief Executive & Head of Paid Services

Signed:
Date:

David Powell
Chief Officer – Finance and Commercial Services
& Section 151 Officer

Signed:
Date:

Chris Chapman
Assistant Director – Law, Governance and Resilience
and Monitoring Officer

Signed:
Date: