BRISTOL CITY COUNCIL
JOINT MEETING OF THE AUDIT AND STANDARDS COMMITTEES
1ˢᵗ April 2011

Report of: **Strategic Director (Corporate Services)**

Report Title: **Annual Governance Statement 2010/11**

Ward: Citywide

Officer presenting report: **Richard Powell, Chief Internal Auditor**

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RECOMMENDATION

The Joint Committee considers the emerging issues to date for the Annual Governance Statement, (AGS) in the light of the work of both Committees during 2010/11 to date.

SUMMARY

The report presents initial officer views emerging from the Annual Governance review process.

The significant issues in the report are:

- Areas of significant weakness in the risk management, internal control or governance arrangements of the Council (detailed in paragraph 3.3)

Policy

The Accounts and Audit Regulations 2003/2006 include a statutory requirement to prepare a statement on internal control in accordance with 'proper practice'. With effect from 2007/08 'proper practice' is defined by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework as an Annual Governance Statement. Additionally, the framework promotes the benefits of developing a local code of governance.

Consultation:

Internal: Strategic Directors, Monitoring Officer, Service Manager (Strategy), Service Director (Finance), Chief Internal Auditor.

External: None necessary

1.   AGS Review Process - Progress and Matters Arising

1.1   The annual review of the Council's governance, risk management and internal control arrangements is currently in progress to support the production of the AGS for 2010/11. This review includes the established information and assurance gathering processes to ensure that the published AGS is accurate, as well as a review of the Council's Governance framework against the best practice framework devised by CIPFA/SOLACE.

1.2   The aim of the review process is to ensure that the Council has effective governance, risk management and internal control processes in place to assist with accountability and delivery of objectives. Additionally, the review process will identify any shortfalls in these arrangements to enable them to be addressed.

1.3   In the Annual Audit Inspection Letter 2009/10 the External Auditor concluded that "..the Council has good arrangements in place to compile the AGS and to provide a strong audit trail for the Chief Executive and Leader to sign the statement". As a result of that finding it has been agreed with the External Auditor that the review process can be carried out over a three year period with a full review every third year. In intervening years a shorter interim review will take place. This year is the first interim review and the extent of assurance required from Strategic Directors and key officers has therefore been reduced in comparison with previous years.

1.3   The review process includes:

- obtaining assurance from Strategic Directors and other key officers within the Council on the extent that key control systems have operated effectively within their directorates and areas throughout the year

- reviewing the Council's governance framework against the best practice governance framework developed by CIPFA/SOLACE

- reviewing External Audit and Inspection reports, Internal Audit reports and management monitoring reports

- consulting this meeting on risk management, internal control and governance issues

- a review of last year's AGS

1.4   The final published Statement is required to detail the governance and control framework in place in the Council during 2010/11 and up to the date of publication of the Statement. Where arrangements are not in line with best practice or are not working effectively, this should be recorded in the Statement together with action plans for improvement.

2. The Annual Governance Statement

2.1 The process of preparing the AGS should itself add value to the corporate governance and internal control framework of the Council. The AGS should be approved by the end of June and should also be up to date at the time of publication. The best practice framework provides guidance on what the AGS should contain including:

- responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control)

- an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide

- a brief description of the key elements of the governance framework, including reference to group activities where these are significant

- a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance framework including reference to the roles of various Members/Officers in this process.

- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

3. Significant Governance Issues.

3.1 As indicated above, the AGS should identify where governance arrangements are not in line with best practice or are not working effectively, together with action plans for improvement.

3.2 The criteria used to identify 'significant control issues' for last year's AGS are set out below. These are based on those produced by CIPFA for the Statement on Internal Control (SIC), the forerunner of the AGS. Whilst the AGS covers a wider range, these criteria nonetheless provide a useful checklist.

- seriously prejudiced or prevented the achievement of a principle objective
- resulted in the need to seek additional funding or required a significant diversion of resources from another part of the Council's business
- had a material impact on the accounts
- attracted significant public interest or seriously damaged the Council's reputation
- resulted in formal action being taken by the s151 Officer or the monitoring officer
- received significant adverse commentary in external inspection reports and which the Council has yet to address in a timely manner
- been identified by the Audit Committee, a Scrutiny Commission or Standards Committee as significant

3.3 Initial proposals for 'significant governance issues' for the 2010/11 AGS have been prepared based on the Strategic Director and key officer assurance statements received to date.

Items in last year's AGS proposed for retention in the 2010/11 AGS are:

- Value for Money - a strategy is in place and training commenced however this is a key area that still needs to be developed within each Directorate.
- Housing Benefits - performance is now improving and is expected to hit the service delivery plan in month target by March but this has been at the cost of additional resources.

Items under consideration for inclusion in the AGS:

- Period of significant and continuing changes at senior management level - capacity to handle increased workloads within existing working practices, awareness of reporting lines /responsibilities, continuity of management leadership
- Overall uncertainty with Council's major partnerships due to national political changes. New formal over arching partnership agreements not yet in place.
- Capacity to achieve the four year savings required due to expected reductions in Government funding
- Risk to achievement of planned savings due to information quality and lack of effective implementation of new working procedures.

Items in last year's AGS **not** proposed for retention:

- Health and Social Care Directorate senior management changes - although this is not proposed for retention the broader issue of senior management changes across the Authority has been added to the items under consideration for inclusion in the AGS.
- Performance Management - work has been undertaken on delivery of the performance management strategy and action plan including the introduction of score cards. A report on the work of the Performance and Improvement team will be submitted to the Audit Committee meeting on 8th April.
- Procurement, risk of increased costs to the Council through failure to apply Procurement and EU Regulations - revised Council Procurement Regulations and manual in place and procurement training delivered.
- Partnership working - arrangements for partnership working have been strengthened and every ward is now covered by a Neighbourhood partnership. However a new issue around partnerships has been added to the items under consideration for inclusion in the AGS.

3.4 The Joint Committee is requested to consider and comment on these proposals.

4. Other Options Considered

4.1 None necessary

5. Risk Assessment

5.1 The Council is legally required to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and include a statement on internal control in any statement of accounts in accordance with the requirements of the Accounts and Audit Regulations 2003/2006. The annual governance review process aims to ensure that an accurate statement can be produced in line with the requirements. Part of the review process includes this consultation with the Audit Committee, who are responsible for assessing the arrangements in this respect are effective, to determine if their work during the year has identified issues of significant weakness.

6. Equalities Impact Assessment

6.1 None necessary for this report

7. Legal and Resource Implications

7.1 **Legal** - none sought

7.2 **Resource** - the AGS will be prepared and published within existing resources

Appendices

Appendix 1   Initial draft of Annual Governance Statement

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers

- CIPFA/SOLACE - Delivering good governance in Local Government: Framework
- CIPFA/SOLACE - Delivering good governance in Local Government: Guidance note for English authorities
- CIPFA Financial Advisory Network: The Annual Governance Statement
- Annual Governance Statement review process papers.

Bristol City Council
DRAFT
Annual Governance Statement
2010/11

1. Scope of Responsibility

1.1 Bristol City 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, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3 This statement explains how the Council endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement (AGS).

2. The Council's Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It can not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

2.3 In January 2009, the Council approved and adopted a local Code of Corporate Governance (revised August 2010), which provides in-depth details of the framework the Council has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society Of Local Authority Chief Executives (SOLACE) guidance ' Delivering Good Governance in Local Government.

2.4 The following paragraphs summarise Bristol City Council's Governance Framework which has been in place for the year ended 31st March 2011 and up to the date of approval of this Statement and the Statement of Accounts.

3. Determining the Council's Purpose, its vision for the local area and intended outcomes for the community

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community.

The Council is involved in a number of partnerships including being a lead member of the Bristol Partnership. The Bristol Partnership has agreed the Bristol 20:20 plan setting out a vision and priorities for Bristol. The Council sets out its priorities, in the context of the 20:20 plan, in a Corporate Plan 2008 -2011. The four West of England Authorities are also working together to establish a Local Enterprise Partnership.

3.1 Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision of the local area.

- The Council has in place high level action plans to deliver each of the aims of the Corporate Plan. This work is coordinated with the work of the Bristol Partnership. Progress is monitored by the Strategic Leadership Team (SLT).
- All divisions are required to produce a service delivery plan which includes clear objectives and targets which reflect the Corporate Plan priorities. These plans are produced annually and progress against the targets is monitored throughout the year.
- The Council has a Medium Term Financial Plan (MTFP) which currently covers the period 2010 - 2013. The plan sets out the Council's spending plans for the next three years on a rolling basis.

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

- The Council's Leader allocates portfolio responsibilities to the individual Executive Members appointed by the majority party.
- The Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities.
- The Council has a Constitution which clearly sets out the leadership role and the delegated responsibilities of officers. The Constitution also includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.
- All committees have a clear terms of reference and work programmes which set out their roles and responsibilities.
- There is a Strategic Leadership Team (SLT) made up of the Chief Executive and Strategic Directors that meets each week to discuss matters which are of strategic and operational importance to the Council.
- The Service Director Finance (Section 151 Officer) and the Head of Legal Services (the Monitoring Officer) are not members of SLT but have open invitations to attend

when necessary and receive all papers. Both have a direct reporting line and have monthly meetings with the Chief Executive (Head of Paid Service) in relation to governance issues. Both also attend Cabinet and Cabinet briefings. The Service Director Finance is the lead officer for the Audit Committee and attends all meetings as well as reporting regularly to the Resources Scrutiny Commission.

3.3 Promoting the Council's values and upholding high standards of conduct and behaviour.

- The Council supports a culture of behaviour based on its statement of values. This guides both how the long term vision is put into effect and how members and officers behave in their day-to-day work.
- Members' and Officers' behaviour is governed by Codes of Conduct which include the requirement for declarations of interest to be completed by all Members annually, by all new staff, and biennially by staff working in sensitive areas or paid above a certain grade.
- The conduct of Members is currently monitored by a Standards Committee.
- The Council has a robust complaints procedure.

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

- The Council has a Constitution which clearly sets out how it operates and the process for policy and decision making. The Constitution is available to the public on the Council's website.
- Cabinet meetings where key decision are made are open to the public and available via web cast through the Council's website.
- The Leader's Forward Plan of key decisions to be taken over the next four months is published on the Council's website.
- The decision-making process is scrutinised by a scrutiny function which also undertakes some pre-decision and policy development work.
- Policies and procedures governing the Council's operations include Financial Regulations, Procurement Regulations and a Risk Management Policy Statement.

3.5 Developing the capacity and capability of Members and officers to be effective.

- The Council recognises the value of well trained and competent people in effective service delivery, and as such aims to ensure that Members and managers within the Council have the skills, knowledge and capacity they need to discharge their responsibilities.
- There is a Councillors' Development Policy which assists Members to strengthen their capacity as confident and effective political and community leaders.
- The Council's Performance Management and Development Scheme for all staff ensures performance is managed and development needs for each member of staff are identified.

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

- The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people. These include the Citizen's Panel, Ask Bristol e-communication, petitions and e-petitions and the provision of a public forum at the majority of committee meetings.
- All Members are expected to offer, as best practice, surgeries, or equivalent means of providing assistance, for their constituents and key partners (eg. Police) could be involved where appropriate.
- The free Council newsletter 'Our City' communicates the Council's vision and priorities and this is delivered to homes across Bristol. Information is also available on the Council's website.
- The Council works extensively in partnership. The Bristol Partnership informs the Bristol 20:20 plan which drives the Council's own Corporate Plan and is implemented through Partnership Delivery Groups.
- The Council has established 14 Neighbourhood Partnerships, based on ward boundaries, to provide an opportunity for local communities to have a greater say in the way services and local issues are managed by the Council and its partner agencies. Some powers over Council services are devolved to these Partnerships.

4. Review of Effectiveness

4.1 Bristol City Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies.

4.2 Both in-year and year-end review processes have taken place. In-year review mechanisms include:

- the Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

- there is a well resourced Scrutiny function which holds the Executive to account. The Resources Scrutiny Commission is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness.

- the Standards Committee have met regularly throughout the year to consider and review issues relating to the conduct of Members. Their work has included agreeing the voluntary code of conduct for Members attendance and endorsing the guidance to Members and officers on purdah.

- the Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met eight times during the year, receiving regular reports on risk management, internal control and governance matters.

- Internal Audit is an independent and objective assurance service to the management of the City Council, who complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the Section undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Executive and the Audit Committee.

- the Audit Commission's Annual Audit and Inspection Letter is considered by the Audit Committee, the Executive and the SLT. A number of external audits and inspections have also taken place.

- the Performance and Improvement Team regularly monitor value for money and performance measures and recommend improvements to SLT and senior Members, as appropriate.

- The Corporate Risk Register (CRR) is reviewed periodically by SLT, with the Strategic Director (Resources) taking the lead on the Register. It is taken to Executive Briefing Efficiency and Value for Money quarterly and then to Cabinet Briefings for review and approval. The Risk Management Group meet quarterly to review the effectiveness of the Council's Risk Management Framework.

4.3   The year-end review of the governance arrangements and the control environment included:

- obtaining assurances from Strategic Directors that key elements of the control framework were in place during the year in their directorates. They were also asked to identify areas where control weaknesses had resulted in significant issues arising for the Directorate and their comments are reflected in this Statement. The Statement itself was considered by SLT on 7th June 2011 and is supported by them as an accurate reflection of the governance arrangements in place for the year

- obtaining assurances from other senior management, including the s151 Officer, the Monitoring Officer and the Service Manager: Strategy that internal control and corporate governance arrangements in these essential areas were in place throughout the year.

- obtaining assurances from Strategic Directors with regard to the governance arrangements in place for key partnerships.

- reviewing external inspection reports received by the Council during the year, the opinion of the Chief Internal Auditor in his annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.

- consulting the Audit and Standards Committee regarding any potential issues they felt could indicate a problem with the control environment as a result of their

work during the year and consideration by the Audit Committee, in preparation of its annual report to Council, of the assurances it was able to provide in respect of risk management and internal control, including the Internal Audit function.

5. Significant Governance Issues

5.1 The review process has highlighted a number of new significant issues regarding the governance and internal control environment. Additionally, there are a number of issues which were highlighted in the 09/10 AGS which have not progressed sufficiently to be excluded from this year's statement. For each issue, detailed action plans have been determined by a responsible officer and a summary of the key elements of these are included in the table below.

5.2 Conversely, there are a number of items which were included in the 09/10 Statement which have been excluded this year as significant progress has been made in addressing the issues such that they are no longer considered a threat to the governance and control environment.

5.3 The table below summarises the significant issues and the proposed action to be taken to address those issues:

Issue	Action to be undertaken in 2011/12, and Responsible Officer

6. Certification

6.1 To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in Section 5. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Leader of the
Council: Barbara Janke   _____   Date: _____

Chief Executive: Jan Ormondroyd   _____ Date: _____

s151 Officer :   Peter Robinson   _____ Date: _____