

Standards and Audit Committee

Tuesday 8 June 2010

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SCOPE OF RESPONSIBILITY

Runnymede Borough 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. Runnymede Borough 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.

In discharging this overall responsibility, Runnymede Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Runnymede Borough Council has not adopted a code of corporate governance as recommended in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This is because the current arrangements for corporate governance are considered fit for purpose and the adoption of the Framework would not add to this process. This statement explains how Runnymede Borough Council meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 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 Runnymede Borough Council's policies, 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.

The governance framework has been in place at Runnymede Borough Council for the year ended 31 March 2010 and up to the date of approval of these Financial Statements.

THE GOVERNANCE FRAMEWORK

Identifying and communicating our purpose and intended outcome for citizens and service users

Runnymede Borough Council has many duties and powers. The processes that are in place to reflect these functions in the Council's aims and objectives and also to identify changes in these requirements are set out below:

- "Runnymede's Sustainable Community Strategy and Strategic Plan" is a statement of aims, developed with Runnymede's Local Strategic Partnership, for the improvement of the economic, social and environmental well being of Runnymede over the next 15 years.
- A rolling five-year financial forecast identifies areas of growth, revenue reductions and capital expenditure plans.
- A number of mandatory and discretionary service plans and strategies are in place and are reported to committees at regular intervals.

All the service targets and objectives set out in these documents, together with local and national performance indicators, are consolidated and analysed in a set of Service Plans reported regularly to service committees, which enable the Council to monitor progress towards the requirement of continuous improvement and to take corrective action where necessary.

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Policy and decision making framework

The Council sets the overall strategy and policy, and has put in place a well-defined organisational structure, with clearly understood lines of responsibility and delegation of authority to help ensure that strategies and policies are effectively implemented and adhered to. The system of internal control is based on a framework contained within the Constitution (which is itself formally reviewed annually), including rules and procedures in respect of:

- Functions of the Council, Committees, and Officers;
- Procedures for conducting the Council's business;
- Delegations to Officers;
- Budget and policy framework;
- Ethics and probity;
- Overview and scrutiny;
- Financial and contracts procedures;

The Constitution also contains a wide range of control and policy documents to support sound corporate governance. These policy documents can be viewed on the Council's website at www.runnymede.gov.uk

The Constitution is reviewed in total each year. This process includes consultation with staff, a report to the Corporate Management Committee on proposed changes, and the approval of the revised constitution by the Full Council. Changes are made through the year as appropriate.

Taken together, the Constitution defines how decisions are taken and the processes and controls required to manage risk.

In addition, the Council's legal section is at the heart of the Council structure. This facilitates the oversight of all the Council's decision making processes and ensures propriety in all the Council's dealings. Actual and potential breaches of the law can be identified and prevented. The implications of legislative changes on proposals can also be identified and Members and Officers advised accordingly. Furthermore, lawyers are given direct access to advise all committees.

Measuring the quality of services and ensuring that they represent the best use of resources

Developing the Council's performance management system is a continuing process to increase the efficiency, accountability and analysis of performance management information, and aid greater ownership of performance by staff and Members alike.

Runnymede's Sustainable Community Strategy and Strategic Plan was approved by the Council in December 2008. The issues in the Plan are grouped under two major themes; Healthier & Safer Communities and Prosperous Communities. These consist of the following sub-themes:

- (i) Crime and Safety,
- (ii) Health and Social Care,
- (iii) Economic Development & Infrastructure,
- (v) Environment

The Plan provides the policy and performance framework over the next few years. The Committee based Service Plans seek to bring together those elements from the Plan, the requirements for the National Indicators, the Council's obligations under the Surrey wide Local Area Agreement and a range of other corporate and desirable measures. This provides a control document for senior managers and the responsible committees to monitor and review, as well as highlighting where slippage or other difficulties are occurring and appropriate recovery strategies need to be put in place. Progress reports on the targets and performance indicators set out in the service plans are reported to service Committees on a quarterly basis.

A new Service Review Programme was established in November 2009 to examine front line service provision in depth. The Programme will help identify the savings needed to achieve a balanced budget, and act as a basis for a new Corporate Plan. The six wide ranging reviews

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deal with leisure services, refuse and recycling, services for vulnerable people, housing services and strategy, place shaping, and workforce planning. The programme will be completed as quickly as possible.

Other routine reports that measure the quality of services and use of resources are:

- A quarterly report made to the Corporate Management Committee on progress towards focused *Priority Indicators of Performance*, including National Indicators, identified as key indicators of service performance.
- Regular reports to the Corporate Management Committee on efficiency savings that measure progress against the efficiency target set for Runnymede.
- A number of other reports including the Annual Pay and Workforce Plan, and progress on achieving net revenue reductions.

Financial management and controls

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Managers within the Council undertake development and maintenance of the system. In particular, the system includes:

- Comprehensive budgeting systems;
- Clearly defined capital expenditure guidelines;
- Named Budget Managers who have the responsibility for delivering services within the approved budget;
- Setting targets to measure financial and other performance;
- Periodic and annual financial reports comparing financial performance against forecasts;
- Formal project management disciplines with regular reporting mechanisms to the Directors Management Team and outturn reports to sponsoring service committees; and
- A detailed annual internal audit plan with priorities and an inspection regime reflecting the risk assessment of the service.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government (2010)*. In particular, the Chief Financial Officer (titled the *Director of Finance* in Runnymede) is professionally qualified, reports directly to the Chief Executive, and is a full member of the Director Management Team.

Procurement of goods and services

The Council has adopted a Procurement Strategy that aims to promote best practice and ensures that the procurement of goods and services achieves value for money. The objectives of the Procurement Strategy are

- To improve the efficiency and effectiveness of the procurement activity for both the Council and its suppliers;
- To deliver value for money contracts by establishing sound commercial partnerships as well as entering traditional contractual relationships;
- To implement transparent procurement processes;
- To ensure that procurement is undertaken in accordance with Council policy;
- To make it easy for others to do business with us;

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- To ensure that procurement decisions take account of sustainability, the impact on the environment and the Council's duty to promote equality;
- To enable procurement processes to be conducted electronically where a business case can be made;
- To adopt joint working where it can be used to improve efficiency and value for money.

Codes of Conduct

The Constitution includes codes of conduct that set the standards of behaviour of councillors and staff. These conform to ethical standards and are renewed annually. There are also specific codes of conduct for planning matters and licensing functions. The Constitution also has protocols for the use of IT by Members, a staff e-mail/internet policy, and a Member/Officer protocol.

Audit Committee and the internal audit function

The Constitution sets out the role and function of the Standards and Audit Committee. The Council has an Internal Audit Section that reports to the Director of Finance. All audit reports produced by the Internal Audit Section are also copied to the Chief Executive Officer, Monitoring Officer and the external auditor. The Chief Internal Auditor provides comprehensive reports on the plans and progress of the internal audit function directly to the Standards and Audit Committee. The Standards and Audit Committee review all recommendations made from internal audits and the extent to which compliance has been achieved.

Ensuring compliance with established policies, procedures, laws and regulations

Directors are ultimately responsible to the Council for ensuring compliance with established policies, procedures, laws and regulations. The roles of the Head of Paid Service, the Monitoring Officer, and the Section 151 Officer are set out in legislation and reflected in the Constitution of the Council. The Council's Legal Section reviews all reports to service committees to ensure propriety and to advise on the impact of legislation. This includes a review of forthcoming legislation likely to impact on Runnymede.

Arrangements for whistle-blowing and receiving complaints

The Constitution includes an anti-fraud and corruption policy including a whistle-blowing policy. Runnymede Borough Council has an established complaints policy and procedures. These arrangements are publicised on the Runnymede Borough Council web site and in our "How to make a complaint against the Council" leaflet. The Standards and Audit Committee receive reports on matters being investigated by the Local Government Ombudsman and on any complaints against Members.

Development of Members and Senior Officers

The Council has a training policy for all Members and staff. Training needs are identified specifically at the time of staff appraisals and more generally as needs become apparent. A budget has been established that is sufficient to meet the training needs identified.

Control of risk

A Strategic Risk Register sets out the key strategic risks that may affect the ability of the Council to carry out its corporate objectives. The Directors Management Team has the responsibility for reviewing and monitoring the action plan to control or reduce risk. The Standards and Audit Committee reviews risk management performance and the risk management strategy.

Consultation strategy

Listening to and understanding the views of residents, service users, business people, visitors and staff, is important to Runnymede Borough Council. The Consultation strategy provides guidance to Members and staff in all matters relating to internal and external consultation.

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There is also a publicity and media handling protocol that sets out procedures for handling communications with the news media.

REVIEW OF EFFECTIVENESS

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

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

Role of Full Council

Full Council makes all significant financial and strategic decisions. In 2009/10 these have included such matters as:

- Approving the annual review of the Constitution
- Amending the Equality Policy
- Setting the Annual Budget and level of Council Tax;
- Medium-term (5-year) financial forecast;
- Progress on net revenue reduction targets;
- Setting the Treasury management strategy and Prudential Indicators;
- Revisions and adoption of service strategies and plans;

Policy Committees

The Council conducts its formal business through four policy and three regulatory committees that operate under clear rules set out in the Council's Constitution. Members of the Council have been regularly and fully briefed on all significant financial and strategic decisions. These include such matters as:

- Annual report on financial results and the Statement of Accounts;
- Government grant settlements;
- Capital forecasts and out-turn reports;
- Monitoring of the revenue budget;
- Impact of major capital schemes;
- Legislation affecting local government;
- Major IT system acquisitions;
- Revision of fees and charges;
- Service plans;
- The priority indicators of performance and the National Indicator set;
- Treasury management and investment performance;
- Use of delegated powers.

The agendas and minutes of these committees are public documents and are available to view in local libraries and on the Council's website at www.runnymede.gov.uk.

The Standards and Audit Committee

Summary reports in respect of completed internal audit reviews are presented to the Standards and Audit Committee three times a year. In 2009/10 the Committee also considered the arrangements for risk management and a review of the arrangements for internal control (including the preparation of this Statement), in addition to its role of promoting and maintaining high standards of conduct by Councillors and co-opted members.

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Overview and Scrutiny Select Committee

The Overview and Scrutiny Select Committee carries out the overview and scrutiny functions conferred by regulations under Section 32 of the Local Government Act 2000. The Committee may review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In exceptional cases it may "call in" a Committee decision for further consideration before it is implemented. The Committee makes reports and recommendations to the Full Council and any Committee as it sees fit. The Committee prepares an Annual Report on their work programme for the Full Council.

Internal audit and external audit

The role of the internal audit function is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of operations by advising and commenting on how risks are being managed, and to review arrangements for the security of the Council's assets. The Internal Audit Section contributes to the maintenance of effective corporate governance by:

- Providing assistance in the development of internal financial controls
- Ensuring that all significant business systems were subject to appropriate financial control, through targeting audit coverage using an appropriate risk based approach

Internal audit also provides an independent and objective opinion to the organisation on the degree to which internal controls support and promote the achievement of the organisation's objectives. The operational and management arrangements for internal audit are as follows:

- The Standards and Audit Committee review the audit coverage undertaken during the previous year and the audit plan for the forthcoming year;
- The Standards and Audit Committee reviews the recommendations made in internal audit reports and progress made in their implementation;
- Internal Auditors conduct their work in accordance with professional standards set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice and the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Audit;
- The Chief Internal Auditor has access to all senior managers, including the Chief Executive, and internal auditors have access to all records held by the Council if necessary;
- The work of internal audit is based on an evaluation of risk; and
- Internal Audit produces an annual report that provides an opinion on the overall control and risk environment and reports on significant findings in the year.

A report on internal audit coverage in 2009/10 was presented to the Standards and Audit Committee on 8 June 2010. The report included progress by senior managers in adopting recommendations from internal audit reports issued in 2009/10, and identified those recommendations that had not yet implemented.

Runnymede Borough Council's external auditor (KPMG) operates at a higher, strategic level focusing on financial reporting risk and corporate governance, and places reliance on internal audit to perform the audits of key systems which include substantive testing of systems and transactions. Work completed by internal audit and utilised by the external auditors in respect of fundamental systems has been a combination of detailed system reviews and quality management reviews of key controls.

Our external auditor submitted his Annual Governance Report for 2008/09 to the Corporate Management Committee in September 2009. On 20 January 2010, Mr Neil Thomas, a Partner at KPMG, presented his Use of Resources Report 2008/09 to the Corporate Management Committee. At the same meeting, Mr Paul Chambers, who is the Council's Relationship Manager at the Audit Commission, presented his Organisational Assessment 2008/09. These contained external auditor opinions on various aspects of corporate governance, performance management, performance under the organization assessment criteria including a use of resources assessment, and financial regularity. They disclosed no significant problems for the Council to address. These documents are available on our website (www.runnymede.gov.uk)

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and on the Audit Commission website.

At operational level, recommendations from internal audit reviews are discussed and agreed with departmental management. At a strategic level, summary reports in respect of completed internal audit reviews are presented to the Standards and Audit Committee twice annually.

Local authorities are also required to review the effectiveness of their system of internal audit once a year and present the findings to a committee, or full Council, as part of the consideration of the system of internal control. The Standards and Audit Committee duly considered the results of this review on 9 February 2010.

Other explicit review and assurance mechanisms.

A corporate compliance and review guidance mechanism requires Directors, Divisional Heads and Service Managers to be explicitly responsible for:

- Reviews of plans and procedures;
- Ensuring that process reviews demonstrate continuous improvement;
- Implementing agreed actions from internal audit reports;
- Ensuring that staff personal development programmes are relevant to service delivery;
- Monitoring Service Plan targets and budgets and report performance and variations.

Internal audit investigations provide scrutiny of the required actions and report on instances of non-compliance.

Runnymede Borough Council was rated as "performs well" under the organisational assessment conducted by the Audit Commission in 2009. The result of the Council's use of resources assessment is now included in the organisational assessment. The Council was awarded a score of 3 out of 4 which means "performing well". The assessment included a number of recommendations that are being addressed. The full report produced by the inspectors is available on our website (www.runnymede.gov.uk).

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Standards and Audit Committee, and a plan to address weaknesses and ensure continuous improvement is in place.

SIGNIFICANT GOVERNANCE ISSUES

Where weaknesses in controls have been identified the Council have taken action to strengthen controls in these areas. No significant weaknesses in internal control have been identified.

The need to achieve improvements in the following areas to further enhance our governance arrangements has been identified:

- Risk Management
- Partnership Working
- Business Continuity Planning

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. An action plan that addresses these issues follows this report. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor J Furey
Leader of the Council
30 June 2010

Mr. P Turrell
Chief Executive
30 June 2010

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Action Plan

Item	Issue	Actions taken	Further actions required	Timescale
1.	<p><u>Risk Management</u></p> <p>1. Develop a strong and embedded approach to identifying and managing risk throughout the Council.</p> <p>2. The Audit Commission recommend that reporting of risk management to Members be made at least on a quarterly basis.</p>	<p>The annual risk refresh exercise was carried out in June 2009 and the outcome was reported to the Standards and Audit Committee in September 2009. The Committee approved a revised Risk Management Strategy. The Corporate Management Committee also reviews progress. Action plans are developed for each cluster of risk. The Directors Management Team is charged with the responsibility for reviewing and monitoring the plan.</p> <p>Risk management is now included as one of the "Core Requirements for Managers" and performance will be formally reviewed as part of the new staff Performance Development Scheme.</p>	<p>1. A further risk refresh exercise will be carried out in 2010 and the findings will be reported to the Standards and Audit Committee in September 2010.</p> <p>2. Service level risks will be fed into the Committee Service level plans.</p>	<p>1. September 2010</p> <p>2. Continuous process.</p>
2.	<p><u>Partnership Working</u></p> <p>There is a growing pressure for the Council to deliver services and policy objectives in partnership with a wide range of organisations from the public, private and voluntary sectors.</p> <p>The pressures from government and others to create partnerships creates a risk that local authorities may enter into partnerships without due regard to controls, financial and operational risks, and robust governance procedures.</p>	<p>The Council's internal control framework deals with aspects of joint working in a comprehensive way e.g. contract standing orders set out the arrangements to follow for contractual arrangements, service level agreements are established with organisations receiving annual revenue grants.</p> <p>The Best Value Service Review of Partnership Working was reported to the Corporate Management Committee in June 2006.</p> <p>The Council is seeking to develop its ability to work collaboratively through participation in the Surrey First initiative. This is a project designed to explore the opportunities for the various local authorities in Surrey to achieve more effective and efficient service delivery through a programme of shared services.</p>	<p>The improvement plan for the Best Value Review of Partnership Working set out a number of actions. These actions need to be reviewed in the light of the Surrey First initiative.</p> <p>Options appraisals will have to be conducted via the Joint Committee which has been established by the Surrey local authorities.</p>	<p>December 2010</p>

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Item	Issue	Actions taken	Further actions required	Timescale
3.	<p><u>Business Continuity Planning</u></p> <p>A business continuity plan is a series of arrangements that will be put in place to ensure that standards of service are maintained during a period of disruption. There is concern that existing plans are not regularly updated, and that there are gaps in the planning process. The greatest risk is an incident that leaves all or a substantial part of the civic offices unusable for a period of time.</p> <p>However, in the event of disaster, we at least have the advantage of a property portfolio (e.g. leisure centres, halls, and depot) that office based services could decant to.</p>	<p>There are a number of plans in place (e.g. disaster recovery for IT), but these have not been formally reviewed for some time. The business continuity plan has been updated by consultants and has been considered by the Directors Management Team, but it has not been reported to the Standards and Audit Committee or Corporate Management Committee.</p> <p>Following the move to the new civic offices a further review of the adequacy of the current business continuity plan is appropriate. It was proposed to undertake this review and report on the outcomes in 2008. However, the management resources had been directed to ensuring a successful move to the new Civic Centre and then towards other management challenges (including the appointment of a new Chief Executive), and the review has not taken place.</p>	<ol style="list-style-type: none"> 1. Need to review the business continuity plan in 2010 to create an action plan in the event of severe disruption in the new Civic Centre. 2. Need to consider whether a report to Committee is required once plans are reviewed. 	December 2010