

NORTHAMPTON BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2007/08

1.0 Scope of responsibility.

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Northampton Borough Council, as part of the Use of Resources improvement plan, aims to approve and adopt a local code of corporate governance by the end of November 2008. This will be consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). The code, when implemented, will be subject to a review by Internal Audit.

This statement explains how the council has complied with the code and also how we meet 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.

2.0 The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives. It is also

designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

3.0 The Governance Framework

Until the governance code is introduced at the council, the constitution is the relevant governance document. Our governance framework will derive from the six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles, that this AGS follow, are:

- a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) Developing the capacity and capability of members and officers to be effective; and
- f) Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles are as follows:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council works through a number of strategic partnerships with other service providers in the area. These include the Local Strategic Partnership (LSP), Safer Stronger Northampton Partnership (CDRP) and Children and Young People's Partnership. To be effective and to maximise the use of our shared resources, we develop shared priorities and deliver them in the most effective way for the people of Northampton.

Many activities which deliver shared priorities are agreed through the *Local Area Agreement* (LAA) for Northamptonshire. This focuses on delivering services and improvements to communities against four key themes. The current LAA has been in place for two years and is being renegotiated in line with government's requirements. The proposed targets for the second LAA were sent to the Government Office of the East Midlands on 30 May 2008. The LAA will identify the key priority outcomes for the whole county as well as informing local priorities for Northampton to be delivered by the Council and its partners.

This will focus on seven key areas:

- Stronger communities
- Safer communities
- Tackling exclusion and promoting equalities
- Children and young people
- Adult health and well-being
- Local economy
- Environmental sustainability

The *Local Area Agreement* will be the key delivery plan for the Northamptonshire *Sustainable Community Strategy*. The strategy was subject to consultation that concluded in April 2008 and is currently being redrafted. It is anticipated that the strategy will be approved by October 2008 and once agreed this will set out the vision and key objectives for the county between now and 2031. A Northamptonshire Public Service board has been established as the body responsible for delivering the second LAA and replaces the previous LAA Board. This Board will take a strategic view for the county as expressed in the 'Sustainable Communities Strategy for Northamptonshire'. It brings key strategic partners together to inform, drive and champion the strategic vision for the county in the longer term.

Our partnership vision for Northampton:

We believe Northampton will be a successful and confident town where people feel they belong, feel they have a future, feel they have financial stability and, where appropriate, business opportunities. It will also be a place that has vibrant cultures and lifestyle opportunities and where everyone who chooses to live here, work here or visit the town feels at home.

To deliver this the Northampton Local Strategic Partnership have agreed the *Sustainable Communities Strategy for Northampton*, which incorporates the key themes from the county-wide strategy and focuses on key strategic objectives local to Northampton;

By 2011 Northampton will be:

- Safer
- Cleaner
- Healthier
- Recognised for good quality, environmentally friendly housing
- Well served by modern and efficient public services

As well as planning services for the future growth of the area, we also intend to improve the quality and accessibility of our services to our customers now. By creating a 'fit for purpose council', the opportunities and challenges will be tackled effectively. These include managing the growth of the area in a way that enhances the quality of life, revitalises the town centre and local housing estates and puts Northampton on the map, both regionally and nationally. All of this can only be delivered by working hand in hand with our partners.

In order to ensure that this Corporate Plan meets the needs and aspirations of our local communities, and contributes to wider community outcomes, we engaged with local people in a series of consultation events. We used the feedback to inform the selection of our five priorities and underpinning commitments.

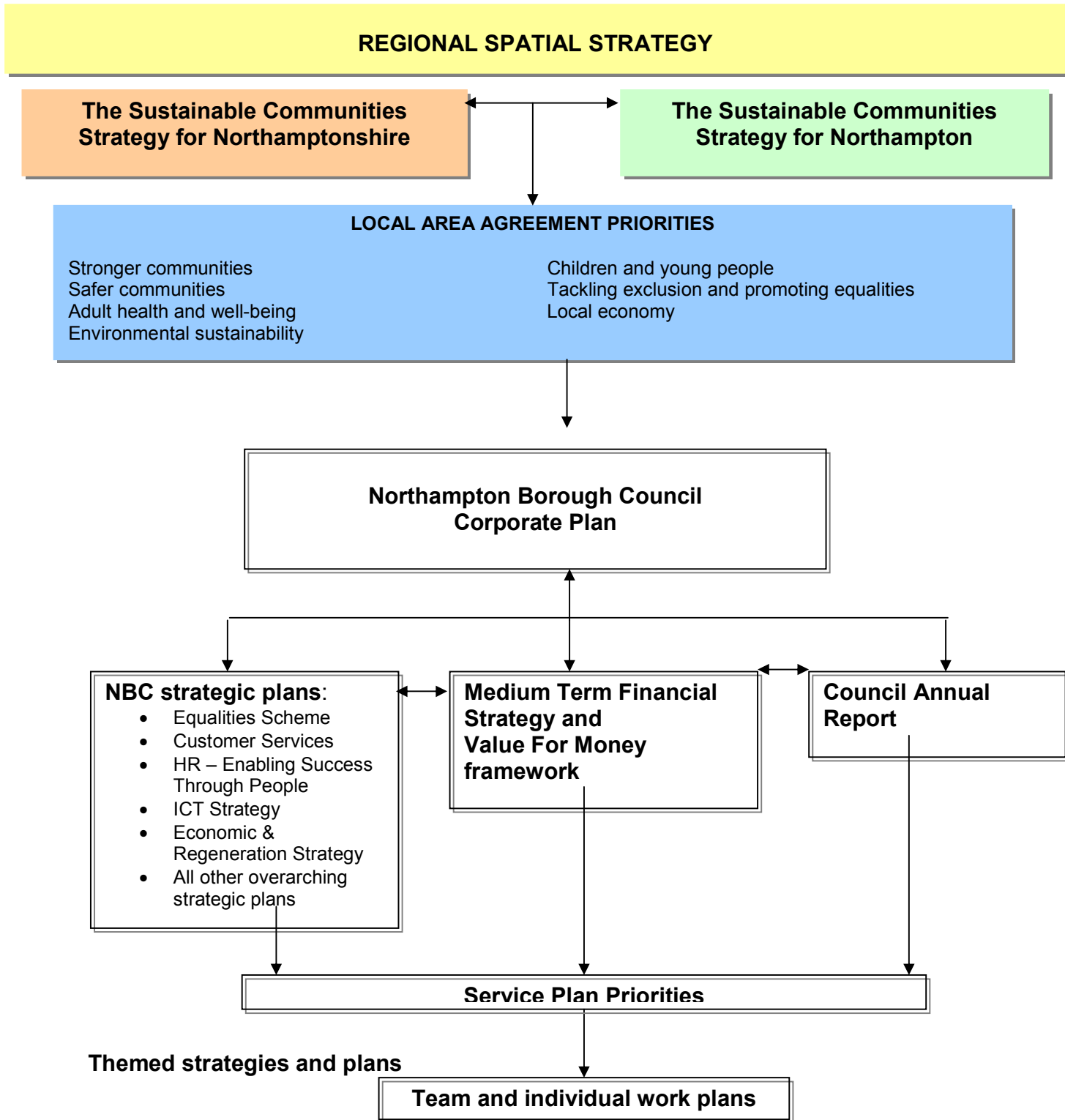
These are:

- **We will help our communities become safer, greener and cleaner**
- **We will improve housing and health to enhance the well-being of our communities**
- **We will be a well-managed organisation that puts our customers at the heart of what we do**
- **We will promote economic development and growth in Northampton**
- **We will strengthen our commitment to partnership working and engaging with our communities to deliver better outcomes**

The council uses information from corporate and service consultations, engagement through area partnerships and community forums as well as feedback from customers to ensure that these priorities are important to the community and that service delivery meets their expectations. The council also has a citizens panel, which can be used for structured consultation with a demographically representative sample of the population.

The diagram below shows how the various groups and plans link together.

How We Deliver Our Key Strategies



The Council has in place a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary.

The Council monitors delivery of its priorities and objectives by use of the performance management framework. The objectives set out in the key strategic plans (Sustainable Communities Strategy, Local Area Agreement, Corporate Plan) are reflected in service plans for each service of the council. The service plans represent the key plan for each service and clearly set out targets and actions for each service and how each service area contributes to corporate objectives and targets. The service plans address service-level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement imperatives, including data quality, Equalities, and Employee Opinion Survey action plans. Local service improvement plans are reflected in the plans.

The performance management framework requires service plan targets and actions to be reviewed each month by the relevant departmental management teams. At strategic management level overall performance of each service is monitored at Corporate Performance Reviews; these reviews, chaired by the Chief Executive, address a range of performance aspects: risk management, financial performance, national and local performance targets, complaints and compliments. In 2008 Service plans will themselves be subject to quarterly review; this will ensure that plan remain current, that targets remain relevant and appropriately challenging and that the service is delivering the actions necessary to achieve the corporate objectives.

Performance information is collated by the Corporate Performance Team who are responsible for ensuring that Data Quality processes and procedures have been completed. Checks on background evidence for indicators are applied each month on a sampling basis, with full background checks quarterly. Information which has no background checks, or which has not been signed off by managers in the service area, is not permitted to go forward into our performance reports. Senior managers and Councillors are then informed of the reason for the missing data. These steps are necessary to ensure that decision makers have confidence in the data presented to them.

Performance information is made widely available. All Councillors are provided with the monthly performance reports. Notice Boards across all council premises are used to display performance information, ensuring that staff who do not use computers can still access up to date information on the performance of each service area. The reports are also placed on the Council's website so that members of the public can access the information.

At a political level performance is monitored by Portfolio Holders each month in meetings with Directors and Corporate Managers. Monthly performance reports are presented to each meeting of Cabinet by the Portfolio Holder for Performance, advised by officers. These reports focus on performance against

priority indicators in addition to an overview of performance against all indicators. The reports set out an analysis of quartile performance so that the Council's performance levels can be compared to the levels of the best performing Councils. Political monitoring also takes place at reviews chaired by the Leader of the Council each quarter. These Portfolio Performance Reviews consider the delivery of each portfolio holder area against the identified corporate objectives. This helps to ensure that senior councillors are holding officers to account for delivery.

The Performance Management Framework sets out the flow of management information across the Council. Operational Performance Reports (OPRs) are produced by managers of discrete service teams for each Corporate Manager. These inform Directorate Management Teams and, in particular, the Performance Clinics each month. These focus on key issues including under or over performance and specifically address performance against service plan actions. These inform the Director's report at each CPR as outlined earlier.

At employee level we have established an Employee Development Scheme so as to jointly agree employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for regular monitoring of performance during the year.

Following the changes to the production of the Best Value Performance Plan as set out by CLG, the Council will no longer produce a BVPP. However, we will continue to produce an Annual Council Report, setting out our performance against our corporate objectives. Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. A corporate procurement strategy/toolkit was produced to ensure proper arrangements are in place for procurement of goods and services. This was reviewed by Members and senior officers before being adopted.

The Council reviewed its financial regulations during 2007/08 with the updated financial regulations being approved by Council in November 2007. Revised procurement rules were adopted in March 2008, updating the previous guidance that covered 2004 to 2007. All budget heads are allocated *to named budget officers, who are* responsible for controlling spend against budgets, and who are also responsible for assets used in the provision of their services.

Contracts let during the year, as well as partnerships entered into, include appropriate arrangements for monitoring against agreed targets and indicators. A Procurement Monitoring Group has also been set up, where contracts over £20k are referred to the group, to ensure that the appropriate finance, procurement and legal rules are all adhered to.

The Cabinet in November 2007 adopted the risk management strategy and approved the risk register, with a requirement to maintain this as a dynamic document and submit it to the Audit Committee on an annual basis.

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

The council has adopted a constitution which sets out how the council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

The main decision-making committee is the Cabinet, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except when personal or confidential matters are being discussed. In addition, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the constitution. The Council publishes a forward plan, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific portfolio of responsibilities requiring him or her to work closely with senior and other employees so as to achieve the Council's ambitions. However the Council has adopted individual decision-making powers for the portfolio holders, which is part of the council's constitutional arrangements.

The Council's Management Board, which consists of the Chief Executive, Directors (including the S151 officer), the Monitoring Officer and Head of Human Resources, meets on a weekly basis to develop policy issues commensurate with the Council's aims, objectives and priorities. Management Board also considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board meet with Cabinet on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues. It has a corporate responsibility for the messages that the council puts out, both internally and externally.

A new administration came into power in May 2007, and relevant training followed as detailed within this AGS. An interim Chief Executive was employed during 2007, up to and beyond when the new Chief Executive, David Kennedy, commenced at NBC in November 2007.

Below Management Board the management structure is well defined in a hierarchical manner, comprising the following groups:

Corporate Briefing

This group consists of Management Board members and also all Corporate Managers/Heads of Service. The meetings are diarised weekly to meet as required. The agenda and meeting go ahead is agreed each week at Management Board.

The group, which is non-decision making, provides collective responsibility for:

- Providing corporate leadership
- Employee development
- Internal and external communications
- Performance management
- Co-ordinating and delivering corporate objectives and priorities for action
- Reviewing corporate policy
- Reviewing corporate standards
- Considering key operational matters

Directorate Management Team (DMT)

Each Directorate has a DMT where the Director and Heads of Service/Corporate Managers meet to discuss Management Board feedback, council wide and service specific areas. DMT meetings:

- Ensure that directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Ensures feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Provides a lead within Directorates to meet corporate requirements
- Ensures group corporate contribution
- Ensures communication of corporate requirements within and between teams within the respective directorate

Managers' Workshop

The managers' workshop started in 2007/08 and has a planned roll out of corporate subjects. The workshop attendance covers over 100 managers across the council.

Other specific group meetings:

There are also corporate groups for equalities, comprehensive performance assessment use of resources, ICT Governance, VFM Board to name a few.

Corporate priorities, policies and standards translated through service plans into day-to-day activities

The council has adopted a number of codes and protocols that govern both Member and officer activities. These are:

- Members and Officers Code of Conduct
- Members Code of Conduct
- Protocol for Members and officers regarding probity planning
- Members' declarations of interest
- Member/officer relations
- Gifts and hospitality – Members and officers

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The council has designated the Borough Solicitor as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive and Director of Finance, he will report to the Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Training needs are identified through one to one meetings, team meetings, and appraisals and are addressed via the Human Resources service and/or individual services as appropriate.

Report on Governance Arrangements

The People Development Manager, during 2007/08, conducted interviews with the Council Leader, Mayor, all Portfolio Holders, Directors and the Monitoring Officer, with the objective of examining the extent to which the NBC governance arrangements are:

- Understood by senior officers and inform current decision making
- Understood by portfolio holders and inform their decision making

Additionally, to identify whether potential breaches of governance arrangements take place. The review incorporate structured interviews which include the following questions:

- How effective are current governance arrangements?
- What's working well needs to be improved?
- Do the arrangements support and have an impact on decision-making process?
- Instances of process failing to work or not compiled with?
- General comments

The executive summary of the report which was presented to the Borough Solicitor and the Interim Chief Executive, is below:

“The overall impression is that the governance arrangements are beginning to have a positive impact on the decision making process. Portfolio holders believe that they are better informed and able to professionally represent their portfolio areas in Cabinet and Council meetings.

Since the election of the new administration in May 2007, the portfolio holders have had to gain an understanding of the role and responsibility of a portfolio holder, as the skills in this area have developed their effectiveness in the role has increased.

There are a number of concerns that the internal structure of NBC does not always match the portfolio holder responsibilities.

There was also a concern from portfolio holders that their political “hot topics” which had immediate media and public attention did not receive the same degree of focus on the agenda as items on improvement plans. The council’s communications team have been working to address this.

There were no reported examples of breaches of governance arrangements within NBC”.

The Interim Chief Executive also issued a report to the Borough Solicitor and new Chief Executive on the governance improvements required, which has been incorporated into the improvement plan for the Borough Solicitor.

Finance and Audit Services

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and the Financial Regulations section within the Constitution. The Council has designated the Director of Finance as the Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Head of Finance and Assets is the deputy S151 officer. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Council Plan.

The Council maintains an Internal Audit service provided through a contract with PriceWaterhouseCoopers, who operate to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the UK’. Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council’s priorities and ambitions. These plans also identify any governance impact.

Our external audit services are provided by KPMG, who audit our statement of accounts, data quality, use of resources, whole of government accounts and national fraud initiative.

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

The Council has several committees, which carry out regulatory or scrutiny functions:

- A Planning Committee to determine planning applications and related matters;
- A Standards Committee that promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough;
- An Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;
- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures.

Since May 2007 the Council has operated with four committees tasked with carrying out the Overview and Scrutiny (O&S) function these are;

- Overview and Scrutiny Management Committee made up of the chairs and vice-chairs of the three Overview and Scrutiny Committees - sets workplan, allocates resources, oversees Member training in O&S area, reviews arrangements for involvement by Councillors and the public.
- Overview and Scrutiny Committee 1 - Partnerships, Regeneration, Community Safety and Engagement
- Overview and Scrutiny Committee 2 - Housing and Environment
- Overview and Scrutiny Committee 3 - Improvement, Performance and Finance

The purpose of Overview and Scrutiny is set out in Modern.gov (Modern.gov is the online system that enables access to committee agendas, reports and minutes, it has been in use since November 2001) as:

"Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are: -

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- External Scrutiny

Overview and Scrutiny provides the opportunity for non-Executive Councillors (Councillors that are not on Cabinet) to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

Overview and Scrutiny is charged with finding ways of ensuring the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

Overview and Scrutiny is Councillor led. As well as Councillors leading on the review of topics where they research issues and develop recommendations, they are also involved in setting work programmes for the Overview and Scrutiny Committee, bringing forward topics and issues, identifying who they want to hear from to inform their work and what they want to know and how they want it presented to them.

Developing the capacity and capability of members and officers to be effective

The council has a structured councillor development programme which is informed by corporate priorities, legislative changes and individual personal development plans for councillors. The programme is overseen by the councillor liaison group which comprises councillors from all political groups and officers to determine priorities and agree programmes of development on a rolling three-month programme. It also evaluates and monitors outcomes from development sessions.

Extensive Members training was undertaken during 2007/08. The courses included - Welcome to NBC, Code of Conduct, Getting Results, IDEA workshop, Performance Management, Equalities and Diversity, Local Authority Finance, LSP/LAAWNC, Planning (Probity and Building), CAA/LAA and Modern

Councillor Launch Party. Training has also been provided to the Audit Committee by PWC.

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

The council introduced internal and external communications strategies in 2007 which clearly set out the principles and responsibilities for effective management of corporate communications and brand identity. The strategy included media training for all senior councillors and officers who have contact with the media. In addition the council has adopted a community engagement strategy which sets out the principles for wider engagement with residents, forums, community groups, stakeholders and partners and detailed work is being carried out to develop a co-ordinated programme of engagement activities to support the implementation of the strategy.

4.0 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process adopted during 2007/08 for a review is below; this will be strengthened during 2008/09:

The AGS group was set up to agree the approach and necessary contributors for the production of the draft AGS and its circulation for comments. The process included:

- Contributions and comments from Corporate Managers/Head of Service.
- Internal Audit review for comment
- Review and approval by Management Board
- Review and comment by the Audit Committee
- Review and approval by Cabinet and full Council

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2007/08.

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

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

The Borough Solicitor (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full

effect. The Council reviews the Constitution regularly to incorporate any necessary changes. A full review of the Constitution was undertaken during the latter part of 2007/08 to ensure it was accurate and reflected current best practice and legal requirements.

The Council has three Overview and Scrutiny (O&S) Committees as set out above. They can establish 'task and finish' groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Executive (Cabinet). The O&S Committees can "call-in" a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be generated by O&S to at least two Councillors.

A good example of the call in process at NBC is detailed in an article by the Centre for Public Scrutiny (CFPS), where the Sixfields plan was called in. The article notes that it was effective use of the call in process.

During 2007/08 examples of task and finish work carried out by O&S include:

- Alcohol related violence/polycarbonate glasses (jointly with NCC)
- Voluntary sector funding/partnerships
- Community engagement
- Historic buildings

The Standards Committee on the 10th July 2007 approved a work plan and has conducted a broad-ranging review of the council's existing policies and procedures for compliance with the Members' Code of Conduct and related ethical conduct requirements. These include the Protocol for Members on Outside Bodies, the Planning Protocol, Register of Members' Interests and a review of the acceptance of gifts and hospitality, the Anti Fraud and Corruption Policy and Whistle Blowing Policy and member/employee relations. It simultaneously reviewed how compliance is monitored and evidenced. The Standards Committee confirmed its endorsement of the compliance procedures and evidence sources used by NBC as representing a satisfactory assessment of Members' standards of conduct to approve various amendments dealt with above.

On the 10th July 2007 the Standards Committee also considered a revised Model Code of Conduct for Members, together with arrangements for training Members. The Council formally adopted the revised Model Code of Conduct for Members and the Planning Protocol on the 23rd July 2007

The Standards Committee has produced periodic newsletters for the benefit of Members, Parish Councillors and relevant officers, to provide updates on the national position, advice on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

Internal Audit, under the terms of engagement, are required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the council's:

- Risk management
- Control and;
- Governance processes.

Collectively this is referred to as "the system of internal control".

An audit plan is prepared each year and is agreed at the Audit Committee prior to the year commencing. For 2007/08 the audit plan was agreed at the Audit Committee meeting on 27th February 2007. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

High Assurance – No control weaknesses were identified or some low impact control weaknesses were found.

Moderate Assurance: There are some weaknesses in the design and/or operation of controls, which could impair the achievement of the objectives of the system, function or process. However, their impact would be less significant or they are unlikely to occur.

Limited Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact, but should not have a significant impact on the achievements of the organisational objectives.

No Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact and may put at risk the achievement of organisational objectives.

Risk ratings, ranging from critical to low, are also included within the audit reports.

The Internal Audit service is subject to a review by the council's external auditors, KPMG, who place reliance on the work carried out by the section. Internal Audit also carries out an annual self-assessment that is reviewed by the Director and Head of Finance and external audit.

Teamcentral was introduced at the end of 2007/08. This software manages audit recommendations and monitors the adherence of implementing them by agreed dates. Teamcentral will send out automatic monthly reminders where the implementation dates of audit recommendations have passed without being closed. The reports from this system will also be used as part of the monthly Corporate Performance Review meetings.

As part of the Comprehensive Performance Assessment (CPA) framework for districts, the Council has been assessed under the 'use of resources' category. The overall score for 2006/07 was a 1, with a 2 scored for both VFM and Financial Standing. An improvement plan has been implemented during 2007/08 and it is hoped that the score announced in autumn 2008 will be at least an overall 2.

5.0 Significant governance issues

Significant control weaknesses in relation to the following services were identified by Internal Audit and highlighted to the Audit Committee at its meeting of 27th May 2008 in the Annual Audit Report:

Significant Control Weakness areas	Action to address weakness (examples)
<p>Core Financial Systems:</p> <p>Debtors</p> <p>Fixed Assets</p> <p>Bank Reconciliations</p>	<p>Improvements have been and are being made to the write off authorisation process and the monitoring of aged debt.</p> <p>Work is underway on ensuring that the asset register is up to date.</p> <p>Improvements are in train, including regular reconciliations to the ledger, improved transaction access security and prompt follow up of unreconciled items.</p>
<p>Westbridge:</p> <p>Electrical Services overtime</p> <p>Capital Voids</p>	<p>Controls and records are now in place to control the levels and authorising of overtime.</p> <p>The quote and tendering process is now more robust and will be monitored.</p>

As a result of the above, Internal Audit can only give the authority limited assurance on the design and effectiveness of the system of internal control.

We propose to address the above matters, as set out in the table, to further enhance our governance arrangements. 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.

Internal audit recommendations have not been addressed and implemented as quickly as necessary. In response to this, the audit reports and recommendations have been uploaded to Teamcentral. Teamcentral is an IT software solution that requires officers to update the system with their actions and it tracks the implementation status of audit recommendations. A summary of this is now included with the monthly performance reports as part of the CPR scheme referred to above.

It should also be highlighted that Risk and Business Continuity Manager's post was not filled during 2007/08 and the authority has since failed to recruit during the early months of 2008/09. During 2007/08, risk management was maintained through utilising the services of the previous post holder who moved internally. A Corporate Manager led business Continuity and PWC also provided risk workshops to officers. The Insurance Manager also maintained the completeness of the Risgen, system based, risk management system.

The council is currently rated as "poor" under the Comprehensive Performance Assessment. Certain services during 2007/08 were monitored via the Government Monitoring Board. Improvements have been made to Finance, Culture and Leisure and the Revenue and Benefits services, that have shown the necessary progress to disengage from this process. Housing and Planning Services currently remain part of the GMB monitoring, but the necessary improvements are being undertaken and there should be disengagement during 2008/09.

We are also currently undergoing a senior management restructuring. The initial Director level was agreed at Cabinet in January 2008. The next level of management, Corporate Managers/Head of Service, was agreed at Cabinet and Council in May 2008. This process is currently continuing and it is planned that the new structure is in place for the 1st October 2008.

6.0 Certification by the Leader of the Council, Chief Executive, Director of Finance and the Monitoring Officer.

Signed:

Signed:

Date:

Date:

Councillor Tony Woods
Leader of the Council

David Kennedy
Chief Executive

Signed:

Signed:

Date:

Date:

Isabell Procter
Director of Finance (S151 Officer)

Francis Fernandes
Borough Solicitor/Monitoring
Officer