

**RIBBLE VALLEY BOROUGH COUNCIL**  
**REPORT TO ACCOUNTS AND AUDIT COMMITTEE**

DECISION

Agenda Item No

meeting date: 24 June 2009  
title: ANNUAL GOVERNANCE STATEMENT  
submitted by: DIRECTOR OF RESOURCES  
principal author: AMY GASKELL

1 PURPOSE

- 1.1 To agree the annual governance statement 2008/09.

2 BACKGROUND

- 2.1 Under the Accounts and Audit (Amendment) (England) Regulations 2006 and the Statement of Recommended Practice (SORP) 2007 the Council is required to produce an Annual Governance Statement that is signed by the Chief Executive and Leader of the Council.

This Statement must be included in the Annual Accounts.

3 ANNUAL GOVERNANCE STATEMENT 2008/09

- 3.1 CIPFA/SOLACE issued their revised governance framework "Delivering Good Governance in Local Government" in June 2007 which incorporated the requirement to produce an Annual Governance Statement.
- 3.2 The Annual Governance Statement for 2008/09 is attached at Annex 1 and has been developed based upon the requirements and guidance received from CIPFA.

4 RECOMMENDED THAT COMMITTEE

- 4.1 Approve the attached annual governance statement 2008/09.

JANE PEARSON  
DIRECTOR OF RESOURCES

AA8-09/JP/AC  
15 June 2009

## Annual Governance Statement

### 1 Scope of Responsibility

Ribble Valley 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. 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 and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. This Annual Governance Statement explains how the Council has complied with the local code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

### 2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

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 the 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 the Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

### 3 The Governance Environment

#### *Establishing & Monitoring the Achievement of Objectives*

The Council's priorities are derived from consultation on the Sustainable Community Strategy and the approved Corporate Performance and Improvement Plan clearly sets out the Council's priorities and strategic objectives.

Long term outcomes and interim performance targets have been established for each strategic objective. These are in turn transferred into individual service plans and performance monitoring reports are produced on a quarterly basis. This is supported by a system of individual staff performance appraisals.

### *The Conduct of Behaviour*

The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.

### *Policy & Decision Making*

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 that these are efficient, transparent and accountable to local people.

Policy and decision-making is facilitated through a Committee System including Overview & Scrutiny Committee, Accounts and Audit Committee and a Standards Committee.

Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.

### *Compliance*

The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

- Monitoring Officer;
- Section 151 Officer;
- Internal Audit;
- External Audit;
- Performance management system.

The Council has designated the Legal Services Manager as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if she 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.

### *Risk Management*

The Council has embedded a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational / service levels. The key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

### *Economy, Efficiency & Effectiveness*

The Council has constantly sought 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. These now include:

- Budget Working Group
- Overview & Scrutiny Committee;
- External Audit;
- Internal Audit.

### *Financial Management*

The Council has designated the Director of Resources as chief finance officer under Section 151 of the Local Government Act 1972.

The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's Constitution. The Council has also adopted and implemented the relevant financial codes of practice covering such areas as treasury management and the Prudential Code.

The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Performance and Improvement Plan.

The Council maintains a sound Internal Audit function which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Internal Audit report four times annually to the Accounts and Audit Committee and are a prime source of assurance to the authority regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.

The Council has an objective and professional relationship with its external auditors and statutory inspectors.

### *Performance Management*

The Council's Performance Management Framework is underpinned by the Sustainable Community Strategy which clearly articulates a shared vision for the Borough. Derived from this is our Corporate Performance and Improvement Plan which articulates our corporate vision, priorities, strategic objectives and anticipated outcomes. Individual Service Plans contain key projects which are geared towards achieving overall corporate objectives. This system is in turn supported by individual staff performance reviews to ensure that everyone understands their individual and sections contribution to corporate goals.

Separate detailed guidance exists for Service Planning and the Performance Review processes. Performance against targets is monitored by the Corporate Management Team, Service Committees, the Overview & Scrutiny function and the Accounts and Audit Committee. Where necessary corrective action is identified and implemented.

The Council uses a bespoke performance management software system, Covalent. The system uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of corporate objectives. These reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate.

## **4 Review of Effectiveness**

Ribble Valley 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 effectiveness is informed by the work of Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs explain the various roles and responsibilities that have been applied in maintaining and reviewing the effectiveness of the Council's system of governance and internal control:

#### *Corporate Level Review*

The Corporate Management Team consisting of the following officers oversees the compilation of the Annual Governance Statement.

Chief Executive;  
Director of Resources (S.151 Officer);  
Director of Community Services;  
Director of Development

The group have considered a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

#### *Directorate Level Review*

The Council has also in place Directorate Assurance Statements requiring Directors to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

#### *Monitoring Officer*

As the Council's Monitoring Officer, The Legal Services Manager 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 each year at its Annual Meeting.

#### *Scrutiny Committee*

The Council has an Overview and Scrutiny Committee which can challenge a decision made by Service Committees but not yet implemented, to enable them to consider whether the decision is appropriate.

#### *Accounts and Audit Committee*

The Council has appointed an Accounts and Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

#### *Standards Sub-Committee*

The Council has appointed a Standards Committee whose terms of reference comply with the guidance set out by the Standards Board for England, including the statutory functions in respect of the local Code of Conduct for Members.

#### *Internal Audit*

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for

improvements that are included within an Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

The Internal Audit Annual Report contains a statement/judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

The Internal Audit Section is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by them.

*External Audit*

In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

**5 Significant Governance Issues**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Corporate Improvement Board and have identified the following improvement opportunities:

Action	Responsibility
The Constitution be updated to reflect: <ul style="list-style-type: none"> <li>▪ the amalgamation of Overview &amp; Scrutiny (Services) Committee and Overview &amp; Scrutiny (Resources) Committee into a single Overview and Scrutiny Committee</li> <li>▪ Housing Committee is now Health and Housing Committee.</li> <li>▪ changes in management team</li> </ul>	Monitoring Officer
Terms of Reference be updated to reflect the above.	Committee Clerk
A system for ensuring that required updates to the Constitution be identified and carried out promptly be implemented.	Monitoring Officer

The above improvement actions are not new but represent work in progress or the need to embed framework or systems that have been strengthened relatively recently.

We will take steps over the coming year to address the above matters 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.

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 Leader of the Council

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 Chief Executive

on behalf of Ribble Valley Borough Council