



# AUDIT AND PERFORMANCE REVIEW PANEL

WEDNESDAY, 14TH JUNE, 2017

At 7.30 pm

in the

COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD,

## SUPPLEMENTARY AGENDA

### PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
5.	<u>ANNUAL GOVERNANCE STATEMENT</u> To comment on the report.	3 - 16

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Report Title:	2016-17 Annual Governance Statement
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Targowska, Principal Member for HR, Legal & IT
Meeting and Date:	Audit and Performance Review Panel – 14 June 2017
Responsible Officer(s):	Alison Alexander, Managing Director Mary Kilner, Head of Law and Governance
Wards affected:	All

## REPORT SUMMARY

- 1 This report presents the 2016/17 Annual Governance Statement (AGS) see Appendix 1.
- 2 It recommends that the Audit and Performance Review Panel consider the content and recommend the 2016/17 AGS to the Leader and Head of Paid Service for signature and presentation with the Annual Statement of Accounts.
- 3 The recommendation is being made to ensure that the Council meets its statutory requirements and those of this Panel's Terms of Reference to be satisfied that the Council has in place appropriate corporate governance systems and controls.
- 4 The governance issues identified from the Management Assurance Statements prepared by each Senior Leader are included within the Corporate Action Plan shown as Appendix 2 in the AGS.

## 1 DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION: That Audit and Performance Review Panel notes the report and:**

- i) Consider the draft 2016/17 AGS and identify any specific matters which should be brought to the attention of Council or Cabinet;
- ii) Recommend the 2016/17 AGS to the Leader and Managing Director for signature and publication with the Council's Statement of Accounts; and
- iii) Note the revisions that have been made to the Council's Annual Governance processes for 2016/17 compared to previous years.

## 2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The annual review of the Council's governance framework is required under the Accounts and Audit (Amendment) (England) Regulations 2015 which state that 'A relevant authority must ensure that it has a sound system of internal control (Part 2, 3a) and each financial year (Part 6, 1 and 2) conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement'.

- 2.2 The AGS is required to demonstrate that systems and processes are in place to ensure that Council business is conducted lawfully and in accordance with proper standards. The AGS process is intended to demonstrate that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 2.3 The process used in the council is a five stage one which includes the following:
1. Managing Director initiates the process with all Heads of Service, in January.
  2. Heads of Service prepare Management Assurance Statements (MAS) for the areas of responsibility they manage, based upon standard template, by end of March.
  3. Analysis of the completed and returned MAS and results reviewed with Corporate Management team, and a draft Corporate Action Plan prepared by the Head of Law and Governance in conjunction with the Shared Service for Audit and Investigation.
  4. The draft AGS and Corporate Action Plan be submitted to Audit and Performance Review for comments and recommendation to submit to the Managing Director and Leader of the Council for signature
  5. AGS signed by the Managing Director and Leader by the end of June to go with the Statement of the Annual Accounts.
- 2.4 The draft AGS and Corporate Action Plan for 2016/17 are in Appendices 1 and 2.
- 2.5 The process follows the six core principles of effective governance, as previously recommended and these are summarised in Table 1.

<b>Table 1: Core Principles of Good Governance</b>	
1.	Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2.	Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3.	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4.	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5.	Developing the capacity and capability of Members and Officers to be effective.
6.	Engaging with local people and other stakeholders to ensure robust public accountability.

- 2.6 The AGS 2016/17 is shown in Appendix 1.
- Progress has been made on the 2015/16 Corporate Action Plan although there are action points previously included in the 2015/16 Corporate Action Plan which are included in the 2016/17 Corporate Action Plan as part of the continuous on-going improvement process.
  - New action point areas have been identified as part of the revised and more streamlined approach adopted this year. These are set out in the 2016/17 Corporate Action Plan shown in Appendix 2.

### Overview of the preparation of the AGS

- 2.7 The individual MAS have been analysed to identify areas of a wider corporate nature, rather than individual service issues, and the common areas used to inform the action plan. The Corporate Management Team has been consulted on the emerging issues from the service based MASs, and on the action points that have emerged.

### What happens next

- 2.8 Once approved by the Audit, Performance and Review Panel, the AGS is required to be signed off by the Managing Director and the Leader of Council and presented with the Council's 2016/17 Statement of Accounts to fulfil our statutory obligations. Then external Audit, KPMG, is required to comment on the content of the AGS in terms of whether it correctly represents the organisation.

Option	Comments
Consider the draft 2016/17 AGS and changes to the process, confirm the draft AGS to the Managing Director and Leader of the Council for signature and publication with the Council's Statement of Accounts. <b>The Recommended Option</b>	This will ensure that the Council meets its statutory requirements. In addition, this Panel will comply with its responsibilities as set out within their Terms of Reference in respect of the Council's governance arrangements.
Note the draft 2016/17 AGS and changes to the process, propose further changes before submission to the Managing Director and Leader of the Council. <b>Not Recommended</b>	Members may wish to request that the AGS is amended if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues either document is deficient in.
Not approve the 2016/17 AGS or changes to the process adopted. <b>Not Recommended</b>	The Council will not meet its statutory requirements and this may expose the Council to an avoidable risk, arising from not having an adequate governance framework. .  This could result in a qualification in the External Auditors' Annual Management Letter.

### 3 KEY IMPLICATIONS

**Table 2: Key implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Council has a process in place to meet the core principles of good governance supporting good performance and outcomes for service users / residents.	Poor service performance and outcomes for service users / residents.	Good service performance and outcomes for service users / residents.	n/a	n/a	Ongoing
Residents will have assurances that the principles of good governance are being incorporated into the Council's normal business processes, providing them with confidence in the decision-making and management processes and in the conduct and professionalism of its Members, officers, partners and other agents in delivering services.	Loss of residents' confidence. Council reputation may be affected.	Gain residents' confidence. Council reputation protected.	n/a	n/a	Ongoing

### 4 FINANCIAL DETAILS / VALUE FOR MONEY

#### 4.1 Financial impact on the budget (mandatory)

Revenue – There are none arising directly as a result of this report.

## 5 LEGAL IMPLICATIONS

- 5.1 The Accounts and Audit (Amendment) (England) Regulations 2015 state that: A relevant authority must, ensure that it has a sound system of internal control (Part 2, 3. a) and each financial year (Part 6, 1 and 2):
- Conduct a review of the effectiveness of the system of internal control and,
  - prepare an annual governance statement.

## 6 RISK MANAGEMENT

**Table 3: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
Failure of the Council to have a process in place to meet all core principles of good governance leads to poor performance, poor outcomes for service users / residents.	High	Ensure that:-  The AGS provides the management processes to update, review and react to amendments to Corporate Governance principles, as laid out by legislative requirements. An independent Audit Committee (in the form of this Panel) has the skills capable of both considering and challenging the robustness of the Council's governance arrangements.  Senior Officers and Members take ownership of the AGS.	Low
Failure to consult appropriate officers with correct levels of responsibility in the assurance gathering process.	High	Directorate Management Teams undertake regular self-assessments of their governance arrangements.  Periodic update reports to Corporate Management Team summarising progress in achieving the governance action plan on those areas identified as needing to be addressed.	Low

## 7 POTENTIAL IMPACTS

- 7.1 The adoption of the Annual Governance Statement process will support the delivery of all four strategic objectives.

## 8 CONSULTATION

8.1 All Senior Leaders have been consulted in the preparation of the AGS. They have completed and returned individual Management Assurance Statements.

## 9 TIMETABLE FOR IMPLEMENTATION

9.1 The 2016/17 AGS covers the governance arrangements in place during the financial year to 31 March 2017. The timescales for addressing the significant governance issues identified are detailed within the Action Plan at Appendix 2.

## 10 APPENDICES

Appendix 1 - 2016/17 Annual Governance Statement

Appendix 2 - 2016/17 Annual Governance Statement Corporate Action Plan

## 11 BACKGROUND DOCUMENTS

11.1 The Accounts and Audit (Amendment) (England) Regulations 2015.

11.2 The Council Constitution Part 6 – Terms of Reference of all other committees, Panels and other bodies of the Council – F6 – Audit and Performance Review: (k).

## 12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Cllr Targowska	Principal Member for HR, Legal & IT	13.6.2017	
Alison Alexander	Managing Director	8.6.2017	8.6.2017
Russell O'Keefe	Executive Director	13.6.2017	13.6.2017
Andy Jeffs	Interim Executive Director	13.6.2017	13.6.2017
Rob Stubbs	Section 151 Officer	13.6.2017	13.6.2017
Terry Baldwin	Head of HR	13.6.2017	13.6.2017
Mary Kilner	Head of Law and Governance	13.6.2017	13.6.2017

## REPORT HISTORY

<b>Decision type:</b> Key decision	<b>Urgency item?</b> No
Report Author: Mary Kilner, Head of Law and Governance 01628 796512	





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## Royal Borough of Windsor and Maidenhead Annual Governance Statement (AGS) 2016/17

### 1. What the Council are responsible for

- 1.1 The Council are responsible for carrying out our business in line with the law and according to proper accounting standards. The Council also have a duty to use public money economically, efficiently and effectively, and to account for it properly. The Local Government Act 1999 requires us to keep under review and improve the way we work, to offer value for money and an efficient and effective service.
- 1.2 The Council therefore have proper arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to ensure we do the right things, in the right way, for the right people, in good time and in a fair, open, honest and accountable way.
- 1.3 This Governance Statement explains how we have followed the framework required under the Accounts and Audit (Amendment) (England) Regulations 2015.

### 2. The Governance Framework

- 2.1 The Council's governance framework comprises of a five stage process which directly involves the Senior Leadership Team (SLT) which comprises the Strategic Directors and the Heads of Service. The Heads of Service are required to complete an individual Management Assurance Statement (MAS), based upon a template which requires a declaration about:
- the use of effective control systems,
  - awareness of significant risks,
  - compliance with the Council's Constitution,
  - responsibility to report unresolved concerns,
  - the Whistleblowing Policy.

The MAS seeks assurances about the internal systems of control, and any exceptions that have been identified, and the sources of assurances which have been used. These MASs are then used to inform the 2016/17 Annual Governance Statement (AGS) and which identifies the material governance issues affecting the Council.

- 2.2 The Council uses a local code of corporate governance consistent with principles required by the Accounts and Audit Regulations. The Council's financial management arrangements similarly conform to the governance requirements set out in CIPFA's 'Role of the Chief Financial Officer in Local Government' (2010), which were in place until April 2017 when they were revised. The code is available on request a copy from the Shared Audit and Investigation Service, Town Hall, St Ives Road, Maidenhead, Berkshire, SL6 1RF. (The new code effective from April 2016 is available [here](#).)

### 3. The aim of the governance framework

- 3.1 The governance framework is basically the systems, processes, culture and values which govern our behaviour, and by which the Council engage with and lead the community, and the standards to which the Council is held to account. The framework allows the Council to monitor how it is achieving its long-term aims and to consider whether these aims have helped deliver appropriate services which represent value for money. The Council approved a four Council Strategic Plan 2016-

2020 in December 2015, this has informed the 2016/17 Directorate Annual Plans. Together these documents help the Council focus on its four strategic objectives:

- Put residents first
- Deliver value for money
- Deliver together with our partners
- Equip ourselves for the future

3.2 The work undertaken by Internal Audit (Shared Audit and Investigation Service) provides an important role in securing these objectives. It cannot eradicate all risk of failure, but it is designed to manage risk down to reasonable levels. It is part of a wider system of internal control the purpose of which is to:

- identify and prioritise the risks that could prevent us from achieving our policies and aims;
- assess their likelihood, and likely consequences;
- to manage the risks efficiently, effectively and economically.

3.3 The Council have had a governance framework in place from 1 April 2015 and up to the date the approved statement of accounts were prepared.

#### **4. Review of Effectiveness of the Governance Framework**

4.1 The current “Public Sector Internal Audit Standards” (PSIAS) came into effect from 1st April 2013 and were revised in March 2016. These standards recognise that a professional, independent and objective internal audit service is a key element of good governance and they encompass the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework. A PSIAS internal compliance self- assessment has been carried out for internal audit activities during 2016/17.

The Internal Audit Service is assessed as “generally compliant” for 2016/17. A number of areas have been identified where compliance could be improved.

4.2 In addition to the self-assessment , the review of Internal Audit is informed by those of the council's management, panels and committees responsible for developing and maintaining the governance environment, and by the Chief Audit Executive’s annual report and by comments from the external auditor and other review agencies and inspectorates.

4.3 Value-for-money is a strategic priority. It means every material spending decision has documentary evidence the proper price was paid. We monitor this with Directorate self-assessments, action plans, and external inspections. Methods of extracting better value include the 'fundamental service reviews' and 'fast fundamental service reviews' carried out in 2016/17 and contract reviews.

4.4 The Council maintains Anti Fraud and Anti Corruption strategies and policies alongside the Shared Audit and Investigation Service.

4.5 The Council is still undergoing a Transformation Programme, which is recorded in the Corporate Risk Register and assigned to the Managing Director. RBWM also consults its staff and their unions.

4.6 The Council’s Constitution details the responsibilities of the Managing Director, Executive Directors and Senior Leaders, including the Monitoring Officer and Chief Financial Officer (Head of Finance). The Managing Director has specific objectives agreed with the Leader of the Council. These are monitored and reviewed as part of an annual performance appraisal. The Head of Finance and the Service Manager, Shared Audit and Investigation Service also complete an annual self-assessment. An action plan sets out areas for improvement, which is then monitored.

- 4.7 Self-assessment has revealed two areas carried over from the 2014-2015 AGS still requiring improvement. Accordingly, these are reiterated in the 2015-2016 Action Plan, which will be progressed during 2016-17. In addition the analysis of the MASs has identified five further areas which have corporate wide implications and are included in the new plan.
- 4.8 The review of governance is overseen by our Audit and Performance Review Panel, which is responsible for ensuring the production of the AGS and recommending it to the Leader and Managing Director for signature, while noting progress in addressing any governance problems.
- 4.9 This review has confirmed the Council have the main processes and documents in place. These processes and documents are defined in the framework.

## **5. Significant Governance Issues**

- 5.1 The governance process requires the Council to identify the more serious governance issues identified by the Senior Leadership Team. Action plans have been agreed to address such areas arising from our 2016-2017 review to promulgate continuous improvement. The attached Corporate Action Plan sets out the remedies we will administer.
- 5.2 The action plan at [Appendix 2](#) lists the most serious governance issues identified during our 2016/17 annual review alongside remediation to date and any action still outstanding from the 2015/16 review of corporate governance.
- 5.3 In addition to the Corporate Action Plan, each of our directorates maintain its own action plan with specific directorate issues, which they are responsible for monitoring.

Over the next year, the Council will be taking steps to tackle the issues listed in our Action Plan so we can further improve our governance arrangements. We are satisfied that these steps will bring about the improvements that we identified in our review of effectiveness and we will monitor these improvements as part of our next annual review.

**Signed on behalf of the Royal Borough of Windsor and Maidenhead:**

**Alison Alexander**  
**Managing Director**  
**Date:**

**Cllr Simon Dudley**  
**Leader of the Council**  
**Date:**

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Ref	Corporate Governance issue	Management action and response	Responsibility	Target completion timescale
AGS17.1	Business Continuity Plans for the organisation. (Carried forward from 2015/16)	<p>Shared understanding of how 'Business as Usual' will be restored or delivered on an ongoing basis, in the event of a significant disruption arising from emergency or unplanned critical incident.</p> <p>Robust plans are prepared and tested to provide resilience to any critical Council services.</p> <p>Clear and shared knowledge of service critical systems (including IT) are agreed and contingency plans are refreshed and updated on a routine and rolling basis.</p>	Senior Leadership Team (SLT)	Training completed for Senior Leaders plans to be developed during the financial year. Review progress in September 2017.
AGS17.2	None response to internal Audit reports.	All internal Audits are responded to and required actioned agreed are part of the audit sign off. A quarterly report to the Senior Leadership Team by the Head of Finance will ensure timely responses are obtained.	SLT	By end of each quarter a review of all outstanding responses and action plans are responded to and agreed actions implemented.
AGS17.3	Contract Management end to end systems and processes.	Review and consolidate the central contract register and the end to end processes to enable a comprehensive register to be maintained. (An audit is being undertaken).	Contract Managers	Throughout the year on an ongoing basis.
AGS17.4	Budget pressures	Projected budget variances (pressures and savings) are reported monthly to management teams, SLT, CMT & Cabinet. Actions to address pressures are adopted and implemented robustly, to achieve, as far as possible, a balanced budget outturn.	SLT/CMT	Throughout the year on an ongoing basis.
AGS17.5	Health and Safety	A Health and Safety audit was undertaken in March 2016, which identified a number of actions to be taken. Many of these have been resolved and appropriate action taken. The outstanding actions relate to refreshing and updating various risk assessments, such as fire, asbestos and legionella. These are the responsibility of the shared building service and many have been completed. The Council has set aside an appropriate budget for this work to be completed. An internal audit is included in the approved 17/18 Audit & Investigation Plan.	Russell O'Keefe as Director responsible for shared building services.	31 March 2018

