



Annual Governance Statement 2010/11



Annual Governance Statement (AGS)

1. Scope of Responsibility

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

2. The Purpose of the Governance Framework

- 1.1 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.
- 1.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it 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.
- 1.3 The revised governance framework comprising the structure changes (effective 5th May) has now been established at the Council for the 2011/12 year commencing 1st April 2011. It was fully implemented from 7th July and established in place at the date of approval of the Statement of Accounts for the 2010/11 financial year.

2.4 The changes arise from the modernisation of the Council, and are being reported in this Governance Statement to reflect the current position. The following section of the AGS covers the differences in the governance system that existed between 1st April 2010 to 5th May and 7th July 2011.

3. Selby District Council's Governance Framework ~ April 2010 to July 2011

This section contains information specifically relating to the period April 2010 to June 2011, after which date the Governance Framework changed, and the revised, current, arrangements are described in subsequent sections.

3.1 The key elements of the Council's Governance Framework for 2010/2011 that were in place and now have changed are as follows:-

- The Council was and continues to be part of a Local Strategic Partnership (LSP) comprising key stakeholders in the District. The LSP produced a Community Strategy for the Selby District setting out a vision for the Selby District over the 5-year period 2010-2015.
- Policy and decision making was facilitated through the operation of a Policy and Resources Committee with certain decision-making responsibilities delegated to three Boards (Economy, Social and Environment). Each of these acted within defined terms of reference agreed by the full Council. Meetings were, and continue to be, open to the public other than when exempt or confidential matters are being disclosed. The public have an opportunity to participate in the meetings.
- Both Policy and Resources Committee and the Boards were overseen by the Council's Overview and Scrutiny function, which had the ability to call-in and review decisions and also to contribute to the development of policy. The Council also had a Standards Committee, to oversee the conduct of Members and Officers, which continues, and an Audit Panel, now operating as an Audit Committee. Other regulatory functions (i.e. Planning and Licensing) were overseen by separate arrangements and these are accountable directly to the full Council. These regulatory aspects are now covered by the three Regulatory Committees (Standards, Planning, and Licencing).
- In the absence of a permanent Head of Legal and Democratic Services, the Deputy Chief Executive was appointed as the Council's Monitoring Officer.
- The Head of Service - Finance was appointed as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972. The s151 Officer was not a member of the Strategic Management Team, but as the Chief Executive is CIPFA qualified it was considered that there was

effective financial acumen and advice available to the Management Team. This has now changed with the Executive Director (s151) being that appointed officer and being a member of the Strategic Management Team. (see subsequent paragraphs)

4. Selby District Council's Governance Framework ~ from July 2011

4.1 The key elements of the Council's Governance Framework are as follows:-

- The Council is part of a Local Strategic Partnership (LSP) comprising key stakeholders in the District. The LSP has produced a Community Strategy for the Selby District setting out a vision for the Selby District over a 5-year period 2010-2015.
- The Council's contribution to the aims of this Strategy is reflected in its Corporate Plan. The current plan, which was approved by the executive, covers the period 2011-12 and sets out the Council's strategic themes and priorities for this period which have been identified and developed in consultation with the public and key partners. A further Corporate Plan to cover the extended period 2012-15 is currently in consultation.
- The formal Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.
- The Council's budget and policy framework is set by the full Council. The Executive has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
- In addition to the executive there are three specific regulatory committees for Licencing, Planning, and Standards. These have independent powers within their legislative framework. Each of these acts within defined terms of reference agreed by the full Council.
- Both the Executive and the Regulatory committees are subject to review by the Council's Overview and Scrutiny function, which has the ability to call-in and review decisions and also to contribute to the development of policy. There are two statutory scrutiny committees: - Policy Review, and Scrutiny. The Audit Committee also contributes to scrutiny and overview..
- The Council has established five Community Engagement Forums (CEF) and is working with them in the development of locally based service delivery options using separate and limited funds.

- Meetings are open to the public except when exempt or confidential matters are being disclosed. The public have an opportunity to participate in some of the meetings.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers forming part of the Council's Constitution.
- The Council has adopted a Local Code of Corporate Governance which is reviewed by the Audit Committee.
- The Council also has separate Whistle-blowing, and Anti-Fraud & Corruption policies. The low level of cases points towards a Council that has a strong and effective counter-fraud and corruption culture.
- The Deputy Chief Executive has been appointed as the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Committee.
- The Executive Director (s151) is the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972. The Executive Director (s151) is a member of the Strategic Management Team.
- Both the Statutory Officers referred to above have unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution.
- A financial management framework comprising:
 - Financial and Procurement Procedure Rules as part of the Constitution;
 - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities;
 - Service and financial planning integrated within the corporate performance management cycle;
 - Annual budget process involving scrutiny and challenge;
 - Monthly monitoring by management of revenue and capital budgets – with regular reports to the respective Committee/Board;
 - Evolving arrangements for securing efficiencies and continuous improvement;

- Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice.
 - Compliance with requirements established by CIPFA..
- A performance management framework provides an explicit link between the corporate priorities and personal objectives of Council Officers. Performance is reported to Members and the Council's Strategic and Corporate Management Teams on a systematic basis with areas of poor performance investigated.. Key features of the Performance Management Framework include:-
 - A regular review of the Corporate Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
 - Service specific Strategic Plans which are produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;
 - The Council's staff appraisal system – Joint Progress Reviews - links personal objectives directly to Service Plans;
 - Regular reports on the performance of key indicators which are presented to Members and Officers;
 - The use of Performance Clinics to focus on performance management;
 - Additionally during 2010/2011; The production of an annual Performance Plan, otherwise referred to as the Annual Delivery Plan, providing commentary and data on the previous year's performance and outlining the Council's plans and intentions for the forthcoming year
 - The Council maintains a professional relationship with the Audit Commission, the body responsible for the external audit and inspection of the Council.
 - Recruitment and selection procedures are based on recognised good practice and all staff posts have a formal job description and person specification. Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via the formal appraisal process contributing to a corporate training strategy.
 - The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. Risk management continues to evolve within the Council and presently includes the following arrangements:-
 - a Risk Management Policy and Strategy has been adopted by the Council and is reviewed annually;
 - the establishment of a Risk Register comprising both Corporate and Operational risks, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;

- Corporate Management Team, (2010/2011, this was undertaken by an officer working group reporting to the then Operational Management team)) keep the corporate risk management arrangements under review;
 - periodic review of risks in-year with reports to Members and the Strategic Management Team;
 - amended terms of reference for the Audit Committee (2010/2011 ~ Audit Panel) to include Member review of the implementation of the Risk Management Strategy;
 - the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan;
 - the requirement for Officers of the Council to consider risk management issues when submitting reports to the Executive and Council for consideration by Members;
 - the adoption of an abridged version of the PRINCE2 Project Management Methodology as a means of contributing to the effective management of risks in major projects.
- The maintenance of an adequate and effective system of Internal Audit is a requirement of the Accounts & Audit Regulations. Internal Audit at Selby DC is provided through the North Yorkshire Audit Partnership, a joint service provision by five district councils in North Yorkshire. It operates in accordance with the statements, standards and guidelines published by CIPFA (particularly the 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom) and the Chartered Institute of Internal Auditors.
 - Internal Audit examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control.
 - This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. Audit plans are agreed and monitored by the Audit Committee with client responsibility assigned to the Executive Director (s151). Internal Audit is required to give an opinion on the adequacy of the Council's system of internal control each year.
 - The Council seeks to ensure resources are utilised in the most economic, effective and efficient manner whilst delivering continuous improvement as it has a duty to do so under the Best Value regime. It aims to achieve this by a variety of means including the following:
 - Service Reviews
 - Working with partners
 - External and Internal Audit feedback.

5. Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review takes account of the work of internal audit and the Council's Strategic, and Corporate Management Teams who have a responsibility for the development and maintenance of the governance environment, and also by comments made by external auditors and other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

The process that has been applied in maintaining and reviewing the effectiveness of the Council's system of internal control includes the following:

- The Council's Monitoring Officer and Standards Committee oversee the operation of the Constitution to ensure its aims and principles are given full effect.
- The former arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. The revised arrangements have operated since 1st April 2011.
- The Audit Committee (Audit Panel during 2010/2011) met throughout the year and received reports on the progress by Internal Audit against their work plan. The Committee (Panel; 2010/2011) also considered auditable areas where Internal Audit raised significant internal control concerns.
- The Executive Director (s151) supports the Audit Committee (Panel; 2010/2011) and attends all meetings of the Committee (Panel; 2010/2011).
- Internal Audit completes a programme of scheduled audits during the year according to its plan including follow up audits. There were no specific investigations in the year. All high risk and key financial systems were audited. The overall opinion expressed by Internal Audit stated:-

“Our overall opinion is that the internal controls within the financial systems in operation throughout the year are fundamentally sound.”. In addition the Annual Report from Internal Audit stated *“[This assessment] is based upon our examination of the key financial systems as part of the managed audit approach, and the other financial systems that were actually audited. On that basis and our previous experience and knowledge there is no reason to believe that the systems are other than sound.”*

Notwithstanding this, the Internal Audit has raised concerns about certain auditable areas during the course of their work and these matters will be kept under review during 2011/12.

- Although the formal tri-ennial review of Internal Audit by the External Auditor (Audit Commission) is no longer undertaken, the Accounts and Audit Regulations now require that the Council undertake, annually, a review of the 'effectiveness of its internal audit'. This has been done and reported to the Audit Committee (Panel; 2010/2011). No material areas of concern were noted. The External Auditor (Audit Commission) has not identified any issues with the standard or quality of work undertaken by Internal Audit.
- The Council's Risk Register has been maintained under review during the year and updated accordingly. The wider Risk Profile featuring a larger number of service specific risks was also revised during the year. Reports on risk management have been considered by the Strategic, and Corporate Management Team, and the Audit Committee (Panel; 2010/2011). The Audit Committee (Panel; 2010/2011) has approved a revised Risk Management Strategy.
- Monitoring information on key areas of performance has been provided to Strategic Management and Members on a regular basis with attention focused on those areas that are considered by the Council to be vulnerable.
- The External Auditor's Annual Letter and previous External Auditor reports to the Council highlighted that Selby District Council has progress in a number of areas: -
 - Further development of the Council's Savings and Efficiency Strategy.
 - Collaborating with other agencies to secure savings through economies of scale and examining the potential for shared management arrangements.
 - Continuing improvement in engagement with communities and using their views to inform service development.
 - Improving the training and development of members.
 - Developing a Climate Change Action plan to reduce its impact on the environment.
 and that councillors and officers have shown a clear and focussed commitment to improving performance, making much more likely than ever that residents and customers will get better services that match their needs.
- The External Auditor (Audit Commission) confirmed that the Council had satisfactory arrangements to secure Value for Money. In respect of the Council's Statement of Accounts, an unqualified opinion was issued. The report highlighted action to implement of IFRS and to ensure effective financial and resource management in light of the current economic recession.
- The External Auditor (Audit Commission) did not identify any significant weaknesses in the Council's internal control arrangements.

6. Significant Governance issues

No system of governance or internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance. In concluding this review of the Council's Governance Framework and Internal Control arrangements, two new issues have been identified that need to be monitored. A detailed plan to address existing weaknesses and ensure continuous improvement in the system of internal control has been produced in response and this will be subject to regular monitoring by the Council's Strategic Management Team and the Audit Committee, where appropriate. The aim is to address these weaknesses during the 2011/12 financial year. The table also provides an update on those issues identified in previous years.

Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2009/10	Non-compliance with the Cipfa "Statement on the Role of the Chief Financial Officer in Local Government"	AGS, and self analysis	The self – analysis provides reasonable assurance that the Council is compliant with the new Cipfa Statement; the principal aspect of non-compliance is that the Head of Service – Finance (the S151 Officer) is not a member of the Council's Strategic Management Team (SMT). At present there is some comfort in that the Chief Executive as a member of the SMT is a member of Cipfa.	Head of Service – Finance 31 st December 2010	August 2011 ~: -Reconfigure corporate structure, and the Executive Director (s151); the s151 officer is now a member of the Strategic Management Team ~ Complete - issue resolved
2009/10	A number of concerns have been raised during the year with reconciliations between feeder and the main accounting system. As these are key building blocks of the council's accounting processes it is important that they are maintained effectively (i.e. timely, and accurately with variances being reported and investigated where required.)	Internal Audit Reports	Head of Service – Finance will direct and work with the Chief accountant and members of OMT to ensure that the Heads of Service maintain effectively the reconciliations under their control.	Head of Service – Finance Chief Accountant 30 th September 2010 Revised to 30 th Sept 2011	August 2011 ~ ~ change in main ledger system, and implementation of this led to delays with a number of reconciliations; ~ Chief Accountant tasked to schedule these and bring them up to date.
2010/11	Concerns around the reduction in staff numbers, with associated potential reduction in the efficacy of the control environment.	Change process,	IA involved in change management projects, clear objective to establish / retain an effective control environment, by looking to leaner control systems. The aim is to deliver sufficient control at a lower cost	Internal Audit; Executive Director (s151); Staff Directors, Business Manager 31/12/2011	August 2011 ~ IA involved with change management, and working with Access Selby Board. ~ IA plan amended to meet revised requirements of Selby DC.