

**REPORT TO THE FINAL ACCOUNTS & AUDIT COMMITTEE** Report No.9

<b>Date of Meeting</b>	<b>26 February 2007</b>
<b>Title of Report</b>	<b>Annual Governance Report – Progress Update</b>
Link to Corporate Priorities	All – Good governance should underpin all the Council's priorities
Public Report	YES

**Summary of Report**

To provide a progress update against all the recommendations set in the Annual Governance Report, presented by the Audit Commission to the Final Accounts & Audit Committee in September 2006.

**Officer Recommendations**

That the progress update set out in Appendix 1 be noted.

That a further progress update be brought to this Committee in six months' time.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	None	None	Yes	None

**Contact Officer**

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## **1. Introduction**

- 1.1 The Audit Commission presented their annual report of the Council's governance arrangements to the Final Accounts and Audit Committee on 26 September 2006.
- 1.2 The Committee received a completed action plan and progress update at their meeting on 20 November 2006 and requested that a further progress report be brought back to their next meeting.

## **2 Options and Options Appraisal**

- 2.1 Option 1: That the Committee note the progress made since their last meeting, as set out in Appendix 1 and recommend a further update be presented in six months time. This is the preferred option.
- 2.2 Option 2: That the Committee consider the progress set out in Appendix 1 and do not ask for further updates to be made.

## **3 Background Information**

- 3.1 The Audit Commission's statutory Code of Audit Practice for Local Government bodies requires it to issue a report to those charged with governance, summarising the conclusions from their audit work over the year. The Annual Governance Report was presented to the Final Accounts and Audit Committee on 26 September. A report was presented to the Committee meeting on 20 November 2006, detailing progress against the Action plan. The Committee requested that a further progress report be brought forward to their next meeting.
- 3.2 Appendix 1 sets out the action plan and includes comments and progress updates since November 2006.

## **4 Financial Implications**

- 4.1 As set out in the report to the Committee on 20 November 2006, progressing some of the recommendations in the action plan will require additional funding to be made available to the Finance Team for the provision of additional staff. The revenue budget proposals going forward to Council on 22 February 2007 support a growth bid of £95,000 for additional staff in the Finance Team. A verbal update on budget decisions can be provided to the Committee when it meets.

## **5 Human Resources Implications**

- 5.1 As above, progressing some of the recommendations in the action plan will require additional resource within the Finance Team.

## **6 Risk Analysis**

- 6.1 There is a risk that if the staffing pressures within the Finance Team are not resolved, progress against the recommendations in the Annual Governance Report will be slow and target deadlines may not be met.

<b>Appendices:</b>	<ul style="list-style-type: none"> <li>Appendix 1 – Annual Governance Report 2006 – Progress Update February 2007</li> </ul>
<b>Background Documents Used in the Preparation of this Report:</b>	<ul style="list-style-type: none"> <li>Annual Governance Report from the Audit Commission, September 2006</li> </ul>

**Previous Decisions Connected with this Report**

<b>Report</b>	<b>Committee &amp; Date</b>	<b>Minute Reference</b>
Annual Governance Report	Final Accounts & Audit Committee 26 September 2006	FA26
Annual Governance Report – Action Plan & Progress Update	Final Accounts & Audit Committee 20 November 2006	FA37

**Appendix 1. Annual Governance Report 2006 – Progress Update February 2007.**

	<b>Recommendation</b>	<b>Priority 1 = Low 2 = Med 3 = High</b>	<b>Responsibility</b>	<b>Comments &amp; Progress as at 20 November 2006</b>	<b>Date</b>	<b>Progress as at February 2007</b>
R1	<i>Reconciliations should be carried out between the financial ledger and all feeder systems on a regular basis during the year. Any differences should be investigated and adjustments made or explanations given. All reconciliations should be reviewed by a senior member of the finance team.</i>	3	Chief Accountant	<p>The Finance Team will work with the operator of key feeder systems to ensure they are reconciled on a regular basis. Reconciliation procedures will continue to be developed, including review and sign off by a senior officer.</p> <p>Additional staffing resource will be required in the Finance Team to fully implement this recommendation.</p>	<p>Ongoing</p> <p>Jan 07</p>	<p>A project accountant (reconciliations) started with the Council in early January to set up and systemise the reconciliations.</p> <p>An early success has been the balancing of recharges, in preparation for 06-07 closedown and 07-08 budget compilation</p>
R2	<i>All working papers are presented in the same format as the Audit Commission Audit Pack and that all working papers are fully referenced. Checklists should also be fully referenced to the working paper files.</i>	2	Chief Accountant	<p>A review of all improvements needed for the closure of accounts was undertaken by the Chief Accountant and the Interim Chief Accountant in September 2006 to set up the planning process for the 2006/07 accounts</p>	<p>Feb 07 to Jun 07</p>	<p>A project accountant (year end) started on February 6<sup>th</sup> to complete this process.</p> <p>The statutory date for agreement is June 30<sup>th</sup>.</p>

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R3	<i>Analytical Reviews should be provided for all statements in the accounts. For the Consolidated Revenue Account this should include variances between financial years and also with the original budget. Analytical reviews should be provided in the BVACOP format.</i>	3	Chief Accountant	To be addressed at closure of Accounts 2006/07	June 07	See R2
R4	<i>The authority should ensure that it reviews the changes to the CIPFA Statement of Recommended Practice each year in time to produce the Statement of Accounts.</i>	3	Chief Accountant	To be addressed in time to make changes for closure of Accounts 2006/07	Feb 07 to Apr 07	See R2
R5	<i>Ensure that the uncorrected Misstatements outlined in table 1 are corrected in 2006-7.</i>	3	Chief Accountant	Journals to correct these misstatements have been completed. This will be shown in the final Accounts for 2006/07	Sept 06 June 07	See R2
R6	<i>Improve year end and qualitative processes for producing the financial Statements to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers.</i>	3	Section 151 Officer	(as for R2) A review of all improvements needed for the closure of accounts was undertaken by the Chief Accountant and the Interim Chief Accountant in September 2006 to set up the planning process for the 2006/07 accounts	Feb 07 to June 07	See R2

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R7	<i>Review arrangements for the compilation of the housing benefit claim to ensure it is undertaken in a timely and accurate manner.</i>	3	Chief Accountant, Audit Manager And Strategic Manager – Customer Services	Arrangements will be reviewed with the Benefits Team prior to the end of the financial year.	Feb 07	No progress made to date.
R8	<i>Explicitly define data quality responsibilities and amend job descriptions of all those accountable for data quality, including those responsible for collection, entering data and reporting performance information of all kinds as well as PIs and LPIs.</i>	2	Performance Management Officer (GW) and Human Resources Team Leader	The Council is currently undertaking a job evaluation process that will result in new job descriptions for all staff. Data quality will be included alongside information management and data security.	July 07	Data quality roles and responsibilities defined in draft Data Quality Strategy to be approved by Final Accounts & Audit Committee. Scope of strategy includes all performance information
R9	<i>Clarify the role and responsibilities of the lead councillor for data quality.</i>	2	Strategic Manager – Corporate Services	Lead Member for democracy and governance, which includes performance management, will be responsible for data quality as part of his role.	Nov 06	Lead Member for democracy & governance briefed on data quality responsibilities in January 2007.

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R10	<i>Ensure the terms of reference of IMDS Group are changed to embrace data quality and any necessary training / development needs met to allow this group to exercise its responsibilities.</i>	2	Performance Management Officer (GW)	Data quality policy to be included within Information Management and Data Security Strategy and Terms of Reference of group amended.	Dec 06	Data Quality Strategy drafted, agreed by Information management & data security Group and to be approved by Final Accounts & Audit Committee on 26/02/07.
R11	<i>Incorporate data quality requirements, including standards and targets into appraisal system for all relevant staff.</i>	2	Performance Management Officer (GW)  Performance Management Officer (GW)	Overall data quality standard of level 3 to be achieved as a target for Performance Management Officer within appraisal.  Data quality requirements of all relevant staff to be specified in data quality policy.	May 07  Nov 06	Data Quality Strategy specifies data quality standards and requirements

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R12	<i>Establish corporate data quality policy, with key outcomes reflected in the corporate plan.</i>	3	Performance Management Officer (GW)  Strategic Manager – Corporate Services	Data quality policy to be completed.  Key outcomes to be reflected in Corporate Plan where appropriate	Nov 06  Feb 07	Data Quality Strategy drafted, agreed by IMDS Group and to be approved by Final Accounts & Audit Committee on 26/02/07.  Full version of Corporate Plan will contain any key outcomes, linked to key PIs. (NB: the Corporate Plan being approved by Council in February contains the priorities, goals and actions. The complete contents, including PIs etc. will be published within the BVPP in June 2007)
R13	<i>Link corporate objectives for data quality management to business area plans and set objectives for individual services.</i>	2	Team Leaders	Business Area Plans no longer produced. Service plans to address data quality management objectives where relevant	Mar 07	No update.



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R14	<i>Communicate commitment to data quality to staff at all levels.</i>	2	Information Management and Data Security Group	Information Management and Data Security Group to agree and roll out communications plan when policy is approved.	Dec 06	Included within Data Quality Strategy Action plan.
R15	<i>Establish the necessary systems and processes to ensure that the quality of all data is 'right first time', including targeted support to staff and managers, user guides and help desk arrangements. And ensure that these arrangements are integrated into wider business planning and management processes.</i>	2	Performance Management Officer (GW)	User guide to follow policy as part of communications approach. Performance manager available for data quality enquiries (helpdesk).	Dec 06	Guidance Notes for responsible officers (on Bulletin Board) now include data quality requirements.  Data Quality Strategy outlines procedures and responsibilities.  Performance Management Officer available for data quality enquiries (helpdesk).
R16	<i>Provide adequate support to staff involved in data quality, including training, user guides and help desk arrangements.</i>	2	Performance Management Officer (GW)	As above	Dec 06	As above.  Programmed visits planned from performance management team for all officers that provide performance information.

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R17	<i>Identify all instances of internal and external data sharing and ensure compliance with agreed protocols and quality standards (link to data quality policy).</i>	1	Performance Management Officer (GW)	Work to follow policy	Jan 07	Included as an action within the Data Quality Strategy. To be overseen by the IMDS Group.
R18	<i>Identify skills gaps and ensure appropriate training given to all staff with responsibility for data quality.</i>	2	Information Management and Data Security Group	Performance Management training to include data quality element. Relevant staff given guidance and training through programmed visits.	Dec 06	Programmed visits planned from performance management team for all officers that provide performance information.
R19	<i>Simplify reporting and monitoring arrangements to ensure that all relevant and interrelated data is reported jointly to the appropriate level within the organisation and that actions needed to address cross cutting issues are readily identified and acted upon (for example to include better alignment of reporting on costs, satisfaction levels and performance information to provide stronger focus on value for money and service improvement).</i>	3	Performance Management Officer (GW)/ Strategic Manager – Corporate Services	Reporting and monitoring to be rationalised following introduction of new performance management system.	Apr 07	Performance Management System chosen. Project initiation meeting with contractors scheduled and contract signed.

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R20	<i>Raise the status of the Audit Manager to ensure he has sufficient status within the Authority structure to fully facilitate effective discussion and implementation of audit work.</i>	3	Chief Executive and Corporate Management Board	Senior managers will continue to work with the Audit Manager to raise the profile of Internal Audit across the organisation. The position of the Audit Manager will be reviewed in light of any changes to the organisation's structure.	Ongoing	Senior Management Restructure will be agreed by Council on 5 March 2007. It is anticipated that the Audit Manager post will report directly to a Corporate Management Board member.
R21	<i>The FA+AC should approve IA's terms of reference. Members of this committee then need to consider what information they require from the Audit Manager to enable them to discharge their responsibilities.</i>	3	Audit Manager	The Terms of Reference have been approved by CMB and were presented to and approved at the September 06 meeting of the Final Accounts and Audit committee.	Sept 06	Completed.

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R22	<i>Ensure IA work is drawn together annually to arrive at an overall view of the system of internal control operating within the Council.</i>	3	Audit Manager	The report by the Audit Manager to the April 2007 Final Accounts and Audit committee will provide an overall view of the system of internal control, which will then be fed into the Council's Statement on Internal Control. An update on the 2006 SIC was presented to the November 06 meeting of the FA&A Committee	Apr 07	No progress since 20 <sup>th</sup> November.  Work on preparing the SIC for 2007/08 will commence in late February/early March 07.
R23	<i>Ensure an annual IA report is produced that details not only progress against the audit plan but also information on compliance with standards, controls and qualifications.</i>	3	Audit Manager	A report on the position as at the end of the year will be presented to the April 2007 Final Accounts and Audit Committee, which will contain the information set out in the Code.	Apr 07	No progress since 20 <sup>th</sup> November.
R24	<i>Ensure training and development for IA staff is informed by periodical appraisals and that budgets are allocated to enable external training to be provided. A training record then needs to be maintained for audit staff.</i>	2	Strategic Manager - Corporate Services (in absence of a Finance Team Leader) and Audit Manager	1-2-1s and appraisals will identify training needs which will then be addressed through available funds. Training records are already maintained for individual auditor's CPD requirements.	Ongoing	1-2-1 meetings held between Strategic Manager and Audit Manager. Full appraisal scheduled for April 2007.

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R25	<i>Ensure IA are consulted when draft Contracts/SLAs are being drawn up with 3rd parties to ensure adequate access rights are provided for within such agreements.</i>	3	Strategic Managers and Team Leaders	Any major contracts or SLAs, as well as new policies and procedures, will be circulated to Internal Audit for their comments.	Ongoing	Ongoing
R26	<i>Ensure relationships between the HB Investigations unit for preventing and Investigating fraud and IA are clearly defined in new HB anti benefit fraud policy currently being drafted.</i>	1	Interim Benefits Team Leader and Audit Manager	The Investigation Team are responsible for the prevention, detection and investigation of benefit fraud only. All other Instances of fraud will be referred to Internal Audit. In the event of internal benefit fraud Internal Audit will be responsible for leading investigations but will seek advice and assistance from the Investigations Team Leader where appropriate.	Ongoing	A new paragraph has been included in the policy which defines the relationship between the HB investigations unit and I.A. Interim Benefits Team Leader and Audit Manager have continued to coordinate efforts, such as the NFI investigations, and continue to share information and Best Practice, such as details on the new Fraud Act.

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R27	<i>Ensure formal supervisory Arrangements are established for Monitoring the work of the audit Manager. This should include the Establishment of objectives and targets.</i>	2	Strategic Manager – Corporate Services and Finance Team Leader	Line management, including responsibility for appraisals and 1-2-1s, has passed to the Corporate Services Strategic Manager during the absence of a Finance Team Leader.	Ongoing	The Audit Manager has continued to report directly to his Strategic Manager, pending the senior management restructure.
R28	<i>Refine the basket of local performance indicators established by the new Audit Manager to manage IA performance to include a cost indicator.</i>	2	Audit Manager	A cost per productive day indicator will be produced and reported at year-end alongside other indicators.	Apr 07	Discussions have been held with the Chief Internal Auditors of the neighbouring districts to help establish baseline and comparative information.
R29	<i>Ensuring that future audit plans provide additional information on non-audit activities such as training, appraisals, liaison etc.</i>	1	Audit Manager	The information is currently built into the number of available days when producing the audit plan. In future training and other nonproductive time will be shown on the face of the audit plan.	Sep 06	Information is now included on the draft audit plan for the 07/08 –09/10 audit plan, and will be included on all future audit plans.