

## **Item 10(b) - ANNUAL GOVERNANCE REPORT 2011/12**

### **1. Scope of Responsibility**

Bodmin Town 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.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

In so far as it is appropriate and proportionate for this tier of local government, the Council has worked within the CIPFA/SOLACE Governance Framework Core Principles. The six core principles identified in the Framework are:

- Focussing on the purpose of the Authority and on outcomes for the Community and creating and implementing a vision for the local area – the Council's Vision and Key Objectives are set out in the Annual Report and on the Council's website [www.bodmin.gov.uk](http://www.bodmin.gov.uk);
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standard of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of Members and Officers to be effective – the Council has a proactive attitude to training, promoting training for Councillor and Officers to ensure that its business is conducted in the most efficient and effective manner; and
- Engaging with local people and other stakeholders and professionals where appropriate, to ensure robust accountability.

### **2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it is recognised that 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 vision, key aims and objectives and policies, 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 system of internal control has been in place at the Council for the year ending 31 March 2012, and up to the date of approval of the Statement of Accounts and Annual Report.

### **3. The Internal Control Environment**

The key elements of the internal control environment are:

a. Establishing and monitoring the achievement of the Council's aims and objectives – The Council's objectives are set out in the Annual Report which is open to public scrutiny on the Council's website [www.bodmin.gov.uk](http://www.bodmin.gov.uk). This is a guide to what the Council is trying to achieve. It sets out what we intend to do about achieving our targets for the coming year. Monitoring is carried out through a system of performance management and regular reporting to Council and Committees, and evidenced, where appropriate, by a series of Performance Indicators (see para g below).

b. The facilitation of policy and decision-making - The Council meets on a bi-monthly basis defining corporate policy and strategic decisions. In addition to the full Council Meetings, the Council has five standing committees to ensure the effective management of its business:

- Finance, Staffing and Performance Management (FS&PM);
- Planning;
- Policy;
- Promotions; and
- Properties.

These standing committees make recommendations to Council. The only exception being the Planning Committee, which has delegated powers to make representation on behalf of the Council on matters relating to development control, forward planning, highways and transportation matters; and the FS&PM Committee which has delegated authority to approve the schedule of monthly accounts in months where there is not a Full Council meeting.

The Council operates within a framework of Standing Orders and Financial Regulations to ensure that decision making is efficient, transparent and accountable. The Council reviewed its Standing Orders and Financial Regulations during 2008, to ensure that they meet the requirements of new legislation and current best practice. Copies of these documents can be viewed on the Council's website [www.bodmin.gov.uk](http://www.bodmin.gov.uk). It is anticipated that these documents will require updating when dedicated guidance on the implementation of the Localism Act 2011 becomes available.

c. Ensuring compliance with established policies, procedures, laws and regulations – Councillor training and qualified officers including a Town Clerk and a Responsible Finance Officer, who acts as the Council's Section 151 Officer, ensure that proper arrangements are in place to make certain that the Council complies with relevant

procedures, laws and regulations. The Town Clerk, Responsible Finance Officer and staff in the Accounts Department actively participate in programmes of continuing professional development (CPD) schemes operated by their respective professional bodies.

The Council has adopted the Local Authorities (Model Code of Conduct) Order 2007 [SI 2007/1159] and all Members of Council have made declarations in accordance with Code and completed Notifications of Financial and Other interests, which are held by the Monitoring Officer at Cornwall Council and held on deposit in the Town Council Offices. This ethical framework is based on the ten general principles of selflessness, honesty and integrity, objectivity, accountability, openness, personal judgement, respect for others, duty to uphold the law, stewardship and leadership, and helps to ensure that the Council's business is conducted to the highest standards of governance. All Councillors and the Town Clerk have received training on the Revised Code of Conduct. The Council will be working with the Monitoring Officer, Cornwall Council, and Cornwall Association of Local Councils to implement a revised ethical framework and standards regime for Councillors following changes outlined in the Localism Act 2011, which included the abolition of Standards for England the national body that currently oversees councillor standards.

d. Risk Management - The Council is committed to ensure that effective risk management is an integral part of all of the Council's activities. This contributes to the successful management and delivery of the Council's corporate objectives and supports its strategic direction through informed decision-making. The Council adopted a Risk Management Strategy in January 2005. This document is regularly reviewed to ensure that it remains fit for purpose and the latest version can be viewed on the Council's website [www.bodmin.gov.uk](http://www.bodmin.gov.uk).

Bodmin Town Council recognises that, in addition to its statutory duties, there are cogent moral and economic reasons to take all practicable and reasonable measures to safeguard people and the natural and built environments.

Whilst it is acknowledged that risk cannot be totally eliminated it is accepted that much can be done to reduce the extent of injury, damage and financial loss. Therefore, Bodmin Town Council is committed to identifying, reducing or eliminating the risks to both people and the natural and built environments.

The Council will carry insurance in such amounts and in respect of such perils as will provide protection against significant losses, where insurance is required by law or contract and in other circumstances where risks are insurable and premiums cost-effective.

The Council has sought to embed effective risk management into its culture, processes and structure to ensure that opportunities are maximised. The Council encourages managers to identify, assess and manage risks, and learn to accept the right risks. During the course of 2010/11 the Council carried out further work on its Risk Register and the associated action plans to mitigate, and where possible alleviate, identified risks. The Council increased the priority of this work and increased the amount of officer time devoted to working on the risk register. A training seminar on Risk Management and Treasury Management was held for Councillors and Senior

Managers in March 2010, this was facilitated by a Director from the Chartered Institute of Public Finance Accounting (CIPFA). The dedicated Risk Management Officer studied for an International Certificate in Risk Management.

The Town Clerk reports to the FS&PM Committee annually on the progress on risk management throughout the year and provides a summary of the Risk Register and control assurance matters.

e. The financial management of the Council and the reporting of financial management - Financial Regulations and Standing Orders are an integral part of the Council's Constitution and the means by which the Responsible Finance Officer (the Council's Section 151 Officer) and the Town Clerk lay down the internal controls that must be complied with to ensure the proper administration of the Council's financial affairs. Internal Audit reviews these controls and proposes recommendations as appropriate. The Council adopted an Anti-Fraud and Corruption Policy and a Confidential Reporting (Whistle-blowing) Code in June 2007, a copy of which is posted on the Council's website [www.bodmin.gov.uk](http://www.bodmin.gov.uk).

The Council is under a statutory obligation to produce an Annual Statement of Accounts. This reports on the Council's spending on an annual basis, and also supports the Council's stewardship responsibilities.

Budget monitoring is carried out on a regular basis within Departments, with the Responsible Finance Officer reporting to the Finance Staffing and General Purposes Committee.

f. 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.

The Council is committed to the highest standards of care and control over the assets and resources at its disposal and to ensure that these are protected from the risk of loss, damage or misuse. By identifying, analysing and managing any risk or threat to the organisation or its resources, the Council can ensure that they are used in the most efficient, effective and economic way and deliver services in a way that represents the best value for money achievable.

To meet this commitment the Council has:

- established and maintained a robust system for identifying and evaluating all significant risks;
- established and maintained effective systems of internal control to manage perceived risks, safeguard public funds and to ensure compliance with legislation and regulations;
- established and maintained effective systems and processes to ensure that resources are used in economic, effective and efficient way and deliver Best Value.
- established a programme of Performance Management Reviews of its services and facilities to ensure that these services are delivered effectively, efficiently and economically whilst being sensitive to the environment. This is facilitated by use of a comprehensive Review Framework (Toolkit); and

- established a Procurement Strategy.

g. The performance management of the Council and the reporting of performance management – the Annual Report, provides a strategic overview of the Council's Vision and Key Objectives. The Annual Report sets out the targets for the coming year and reviews performance against targets for the previous year. The Annual Report is published on the Council's Website, [www.bodmin.gov.uk](http://www.bodmin.gov.uk), and copies are available from the Council Offices.

There are no nationally prescribed performance indicators for this tier of local government and the statutory duty of Best Value was disapplied in April 2008. However, the Town Clerk is working with clerks in the Larger Local Councils Network to develop a suite of performance metrics to demonstrate ongoing year on year performance of the council's key services and assist with benchmarking and encouraging best practice between local councils of similar size.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors, and the managers of the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The Internal Audit service is carried out by specialist officer of Cornwall Council and is designed to assess the effectiveness and appropriateness of the Council's internal control systems and provide comprehensive and objective scrutiny of the Council's finances and key systems. The results of each audit are discussed with the Town Clerk and Responsible Finance Officer and a final report/executive summary showing the agreed action. Follow up audit work is undertaken to ensure compliance. The Internal Auditors carry out their work in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Internal Audit Standards.

Internal Audit reports and recommendations are considered by the Finance Staffing and Performance Management Committee and action plans formulated to deal with any points raised.

During 2011/12 the Internal Auditor carried out work in the following areas:

- verifying the robustness of the main financial systems;
- Establishing whether suitable controls for purchase card transactions are in place; and
- Examination the robustness of the Parks Department stock control processes.

In the past, the Internal Auditor has raised concerns regarding the lack of separation of duties, particularly in relation to investments and payments to suppliers. Whilst acknowledging the potential risk the Council recognises that this a problem for all small authorities and is satisfied that reasonable and appropriate checks and

balances have been put in place to minimise the risk as far as possible given the size of the authority.

Other explicit review/assurance mechanisms – The Audit Commission carries out an annual audit of the Council's Annual Statement of Accounts.

## **5. Conclusions**

The Council received a clear (unqualified) external audit from the Audit Commission on its Statement of Accounts for 2010/11, which means that in all significant respects, Bodmin Town Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

From the work carried out by Internal Audit for 2011/12, and the external reports of the Audit Commission referred to above, the Council is of the opinion that the key systems are operating soundly and that there are no fundamental breakdown of controls resulting in material discrepancies. Satisfactory arrangements were implemented to ensure the effective, efficient and economic operation of the Council's financial affairs.

However, it is recognised that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance. There is an ongoing process for identifying, evaluating and managing key risks, and these are reflected in the Risk Management Strategy and Risk Register and reported to the Council during the year.

## **6. Significant Internal Control Issues**

It is recognised that the internal financial control systems can always be improved and this section outlines any significant areas where improvements are being developed or action is planned for in 2012/13.

The main issues associated with internal control and corporate governance that the Council will concentrate on developing during the current financial year are:

- Reviewing policies to ensure that they reflect current legislation, Government Guidance and best practice, particularly the changes associated with the implementation of the various parts of the Localism Act 2011 and associated guidance from the Department of Communities and Local Government;
- Continuing with its commitment to training and development of Members and staff; and
- Continuing work to develop the Risk Register and action plans to minimise or ameliorate significant risks.

Paul O'Callaghan BEM FILCM  
Town Clerk  
9 February 2012