Annual Governance Statement 2007/2008

Scope of responsibility

Belfast City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under Local Government (Best Value) Act (Northern Ireland) 2002 to make arrangements for 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 facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has prepared an Annual Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' and which sets out its intention to achieve full compliance with the Framework for the year commencing 1 April 2009. This statement explains how the Council is progressing towards this, their statutory duties under the 2005 Order and also meets the requirements of Regulation 2A of the Local Government Accounts and Audit (Amendment) Regulations (Northern Ireland 2006) in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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, the impact should they be realised, and to manage them efficiently, effectively and economically.

In 2007 CIPFA withdrew its guidance relating to Statements on Internal Control with the publication of the joint CIPFA/SOLACE "Delivering Good Governance In Local Government: A Framework." This requires the publication of an Annual Governance Statement rather than a Statement on Internal Control. Local authorities in England have been preparing the less comprehensive Statement on Internal Control for several years. The Department recognises that Local Authorities had been preparing to include with their accounts a Statement on Internal Control for the first time in 2007-2008. As a result of the revised proper practice requirements, Local Authorities are required to prepare an Annual Governance Statement in 2007-2008, without having previously completed a Statement on Internal Control.

Some aspects of the Statement on Internal Control are carried forward to the Annual Governance Statement. Where this is the case, the Council will have undertaken the necessary preparatory work. Where the Annual Governance Statement provides additional requirements local government bodies will include with its disclosure one of the following:
- Compliance
- **Intention to comply by 1 April 2009 (or earlier)**
- Intention not to fully comply and reasons why.

Arrangements towards achieving full compliance commenced in 2007/08 and will continue in 2008/09, in order that the Council is fully compliant by 1st April 2009.

The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements include the following:

The corporate plan 2007/08, (a transitional 1 year plan) is being replaced by a 3 year plan, as outlined below.

Belfast City Council has developed a draft corporate plan for the period 2008-2011. This was presented to Chief Officers Management Team in May 2008. In addition, a special meeting of the Strategic Policy and Resources Committee is to be held on 13 June 2008 to agree this plan.

The plan was developed over a ten-month period with significant engagement with Members, ratepayers, officers, and partners at a range of workshops. In addition, there has also been significant engagement with party groups. An annual plan is in place setting out clear objectives and targets for the coming year.

The corporate plan helps the Council focus on the future. It sets out the values that the Council wants to create in the city and the key issues that the Council intends to focus on over the next three years. In doing this, the corporate plan provides a sense of direction for the Council. By having an outward focus, the corporate plan helps the Council deal with a changing external environment and helps to ensure that the Council's plans stay relevant and connected to what is happening in Belfast.

As outlined in the Council's Standing Orders, the Corporate Plan and the processes which underpin it act as the Council's main instrument of policy. The development and implementation of the Corporate Plan therefore embraces a number of processes including, for example:

- The establishment of agreed corporate priorities and strategic plan

- Strategic financial, human resources, asset management and information management planning to ensure resources are effectively allocated for implementation of the strategic plan

- The development and prioritisation of the capital programme and the city investment strategy

- The integration of strategic financial and business planning in the organisation

- The development and implementation of strategies for effective partnership working with key stakeholders, through an effective external relations strategy, including the development of community planning

- The development and implementation of effective performance management to ensure agreed outcomes are delivered

- Communication of the plan is via the Council's internet website; a communication plan has been agreed to ensure the plan is effectively communicated.

Over the past year there has been considerable effort put into developing and implementing the key elements of an assurance framework within Belfast City Council. Significant progress has been made in terms of:

- implementing a process whereby managers are required to sign annual assurance statements
- implementing risk management
- developing business planning and related performance reporting arrangements
- re-constituting the Audit Panel
- further developing the professionalism of the internal audit function, including the commissioning of an external review of the service and the planned implementation of risk-based audits, whereby the actions taken to manage key risks in risk registers will be examined
- development of a Code of Governance.

New political governance structures were put in place during 2007/08
- Committee reporting system
- Council minutes system on www.belfastcity.gov.uk

Our key mechanisms for measuring the quality of services for users and for ensuring that they represent the best use of resources include:

- Key performance questions, surveys and indicators
- A corporate complaints system.

In order to define and document key Council roles and responsibilities, a Scheme of Delegation is in place. This has been approved by the Council. The Scheme is explicitly linked to the objectives of the Council as they state that the purpose of delegation is to achieve economies of scale and minimise costs. The levels of authority and responsibility are set out in the Scheme of Delegation.

Standing Orders are in place and are documented on the Council's website.

The corporate objectives of the Council are linked to levels of responsibility and individual staff through the Strategic Plan and annual Business Planning processes and through the use of personal development plans.

The budget is set in line with the need to deliver the corporate plan. A budgetary control system is in place.

Terms and conditions of employment and job descriptions are available for all staff.

The following structures, which facilitate staff development, conduct and good governance are in place:

- New political governance structures which were implemented in the year 2007/08
- Committee reporting protocol
- Party Group Briefing Days to facilitate and coordinate contact with officers
- Work is in progress to develop corporate and service standards
- Code of conduct for staff
- All staff receive induction training which includes an introduction to the Code of Conduct
- The NI Code of Local Government Conduct for Members
- Acceptance and Provision of Gifts and Hospitality by Council Officers
- Potential Conflict of Interest Situations Encountered by Council Officers
- An Equality Reference Guide has been developed by the Council
- Sustainable Development Plan (supported by Energy Conservation Strategy and In-house Waste Strategy)
- The Council has adopted fraud and corruption and whistle blowing policies.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

- Standing Orders

- Financial Regulations
- Scheme of Delegation
- Accounting Manual
- Codes of Conduct for officers and Members
- Corporate and budgetary planning
- The preparation of regular financial reports which indicate actual expenditure against forecasts
- Regular reviews of periodic and annual financial reports which indicate financial performance
- A programme of capital expenditure with clearly defined guidelines
- Formal project management disciplines.

The Council has an established Assurance Board and an Audit Panel. These oversee the work of the Audit Governance and Risk Services section. This section provides an internal audit service, which operates to the standards published in the CIPFA code of practice for internal audit in local government.

Audit, Governance and Risk Services have taken the lead on risk management activities within the Council. These have continued in line with the Council's Risk Management Strategy. Activities have focused on the development, management, monitoring and reporting of risk registers. Corporate, departmental and operational risk registers are in place in addition to registers relating to major projects and key services.

A system of assurance reporting by Directors, Heads of Service and senior staff within the Council was implemented during 2007/08. These signed assurance statements form part of the evidence to enable the sign off of the governance statement by the Accounting Officer.

A Business Continuity Policy has been produced and was approved by COMT on 11 September 2006. Business Continuity strategies and plans are now in place for the Council's key services. In addition, in order to ensure that the Council is prepared to meet the threat of a pandemic, a Business Continuity Pandemic Plan has been prepared.

The Council has an established Audit Panel which was re-constituted during 2007/08 and a revised terms of reference agreed. The terms of reference for the Audit Panel sets out a clear statement of purpose that it will provide an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It will provide an independent scrutiny of the Council's financial and non-financial performance to the extent that it exposes it to risk and weakens the control environment. The Audit Panel reports to Strategic Policy and Resources Committee.

The Audit Panel agrees an annual programme of work, for the year 2008/09 this includes a number of value for money audits. There is a commitment to the identification of any further training needs for members.

Managers are responsible for ensuring:
- compliance with relevant laws and regulations, internal policies and procedures,
- that expenditure is lawful within their area of responsibility
- that staff conduct council business in accordance with the law and proper standards
- that public money, for which they are responsible, is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Financial Regulations include an explicit reference to management responsibility for internal control and set out the delegated powers of the Chief Financial Officer in ensuring expenditure is lawful. The Chief Financial Officer is the designated officer responsible for the proper administration of the Council's financial affairs.

The Council has a Director of Legal Services and a Legal Services Department to provide advice and support to Council staff and Members.

A Public Interest Disclosure ("Whistleblowing") policy is in place and has been communicated to all staff. The policy is posted on the Council's intranet. In addition, this policy is also included in the Code of Conduct for Local Government Employees.

A Corporate Complaints system is in place.

The following activities underpin the identification and support of the development needs of members and senior officers:

- induction training for all staff which includes an introduction to the Code of Conduct

- Code of procedures on recruitment and selection

- Introduction of personal development plans

- Member development programme with induction sessions for Members

The following are channels of communication which focus on all sections of the community and other stakeholders. These channels ensure accountability and encourage open consultation;

- The corporate plan
- 'One Council' corporate communication guidelines
- The Council's website found at www.belfastcity.gov.uk and the intranet for staff
- Work is underway to develop corporate and service standards
- Ongoing development and use of Citistats
- Embryonic community planning board
- Ongoing consultation processes
- City Matters magazine
- Complaints handling system
- Council meetings are open to the public
- The Assurance Framework.

Review of effectiveness

The 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 the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors and other external reviews.

The Audit Panel provides an independent assurance on the adequacy of the council's risk management framework and associated control environment. It provides an independent scrutiny of the council's financial and non-financial

performance to the extent that it exposes it to risk and weakens the control environment.

Following a benchmarking exercise the Audit Panel has made a commitment to a minimum of four meetings through the year. While during the course of 2007/08 the Audit Panel only met three times, it is envisaged that for the period 2008/09 this commitment will be met.

The Assurance Board which comprises the Chief Executive, Director of Corporate Services and Director of Legal Services has the purpose of identifying areas of particular concern within the Council. It addresses issues of non compliance of Council staff in particular around internal control or governance matters. The Assurance Board met four times during 2007/08.

The aim of Audit, Governance and Risk Services is to provide an independent assurance and advisory service which will help the Council achieve its objectives and improve the effectiveness of its risk management, control and governance processes. Audit, Governance and Risk Services produce an annual Strategy and Plan which take account of important developments, such as the new Audit and Accounts Regulations. The Head of Audit, Governance and Risk Services provides an annual assurance statement on the Council's internal control environment.

Audit, Governance and Risk Services will continue to facilitate the development of risk management processes throughout the Council. A risk management framework is embedded throughout the council. This included risks being identified and actively managed at corporate, departmental, service / operational level and for major projects.

The Code of Governance for Belfast City Council is based on the 6 core principles set out in the CIPFA/SOLACE Framework.   The key systems, processes and documents are summarized in a table; this provides evidence of compliance with the core and supporting governance principles, along with the individual or committee responsible for monitoring and reviewing the same.

An annual review of our Code of Governance will be carried out with a view to monitoring progress in achieving agreed actions. The results of this review will be reported to the Audit Panel and will inform the preparation of the Annual Governance

Statement. It will form one of the assurances that senior managers and Members receive on the Council's internal control environment.

In addition, the Council has recently adopted an Assurance Framework. This shows:

- the main sources of assurance, such as financial control, performance management, internal and external audit
- the basis on which these key sources of assurance are provided
- how the Code of Governance relates to these assurances
- how the Audit Panel and Strategic Policy and Resources Committee have a key role to play in reviewing and approving the Annual Governance Statement and overseeing the assurance framework as a whole.

As the elements within the proposed assurance framework are developed further over the next year, it will provide an assurance to the Audit Panel that each source of assurance is reliable, that the framework as a whole is adequate and that there are no significant gaps.

In the year 2008/09 AGRS will review the various sources of assurance and the key elements of the Council's internal control framework and will report to managers, COMT, the Assurance Board and the Audit Panel on these areas.

Local Government Audit have also provided a level of assurance through the provision of the annual external audit and provision of the management letter. An action plan is in place to address the issues identified.

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Other sources of assurance include assurances from management and external review bodies.

In the year to the end March 2009, the Strategic Policy and Resources Committee and the Audit Panel intend to address identified weaknesses in the Council's internal control environment, and improve the established risk management processes.

Significant governance issues

During the year 2007/08 a number of required improvements to the overall governance framework were identified and appropriate actions were taken to address these issues:

The Council's local Code of Governance was developed and has been discussed with relevant staff. The Code was approved by COMT during 2007/8. In addition, it was approved by the Audit Panel during the first quarter of 2008/09. The Code is based on the six principles set out in the CIPFA/SOLACE 'Delivering Good Governance in Local Government : A Framework'.

AGRS intend to complete a number of reviews to confirm that the Council's governance arrangements address key governance related issues, including a review of the operation of the new Scheme of Delegation. This work together with ongoing audit work forms part of the annual review of the effectiveness of Internal Control.

Operational risk registers were produced for all key services during 2007/08. Risk action plans are in place to manage the risks identified. Appropriate management teams review and update risk registers and action plans on a quarterly basis.

A system of assurance reporting was implemented for the year ending 31 March 2008. Directors, Heads of Service and responsible senior officers were required to sign annual assurance statements. These set out the risk control framework in place and disclose any significant risk and internal control issues. Signed assurance statements form part of the evidence to enable the preparation of the Council's Governance Statement.

The Audit Panel was:
- re-constituted during 2007/08 with a revised terms of reference based on CIPFA's model Terms of reference contained within the "Audit Committees – Practical Guidance for Local Authorities" Best practice guidance
- an external independent member was appointed
- Members received bespoke training on Best Practice in Audit Committees this was provided by CIPFA.

During the course of 2007/08 the Council implemented a new financial system and associated business processes. It is perhaps inevitable that implementation of a major and complex new system and new business processes results in teething problems. To ensure risks were captured, a proactive risk management process was put in place during the project. The Better Business Programme Board; which has responsibility for overseeing the project manages this process. On an ongoing basis the Board ensures that, any risks identified are allocated risk owners and that these are managed and reported on.

The Council identified the risk of over-reliance on a small number of key staff in Financial Services. This issue has been included in a structural review of Financial Services which is being carried out by the Business Improvement Service, recommendations when received will be implemented and will address this issue.

A key risk facing all Councils in is the risk of being unable to comply with the targets of the Northern Ireland Landfill Allowance Scheme (NILAS). A number of actions have been implemented by the Council to address this risk including:

- Monitoring performance against NILAS targets
- Liaison with arc21 to monitor timescale for introduction of the necessary waste infrastructure
- Communications Plan and home visits to inform and engage householders.

The Council has identified the need to ensure the effective management, at a corporate level, of the resource requirements of large projects, for example, the Titanic Signature Project, North Foreshore and Connswater Greenway. In order to address this need it is intended to commission a review to develop an approach regarding the governance of all projects. At an operational level, this framework would be supported by the measures being put in place to manage identified capital project risks.

To further enhance our governance arrangements we propose over the coming year to take steps to address all of the issues raised in the Annual Assurance Statements, which have been prepared by all Directors, Heads of Service and senior officers for their area of responsibility. An action plan in this regard has been prepared, the implementation of this plan will form part of our next annual review. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness.

Signed: …………………………………………………………………………..

On behalf of the Committee of Strategic Policy and Resources, the Chief Executive Officer and by the Chief Financial Officer