

Appendices:

1. Governance Action Plan
2. Audit Recommendation implementation



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Progress Update on Implementing the Governance Action Plan
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 13th November 2017

Policy Document: The Governance Action Plan

Directorate: Borough Secretary

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1 This report outlines the progress made to date on implementing the Council's Governance Action Plan.

2. Recommendations

2.1 That the Committee review and comment and where appropriate constructively challenge the Governance Action Plan to inform further work on its content, development and implementation.

2.2 That the Committee receive update reports on the implementation of the Governance Action Plan from the Borough Secretary and Chief Finance Officer at every future meeting until it determines otherwise.

3. Issues and Choices

3.1 Report Background

3.1.1 The Governance Action Plan is a fundamental document for the Council. The purpose of the plan is to ensure training and support is available for officers to strengthen and put in place effective governance arrangements and processes within the Council. Procedures that should be in place, or need to be reinforced, to ensure that proper and effective governance happens in practice at all times will be implemented and will be on a par of organisational importance with the Budget Book and/or the Constitution.

3.1.2 **Plan update:** At the update of the plan in September it was noted that the number of action points had been reduced from 67 to 48 following deletion of duplicated items and the merging of related topics e.g. project management. Following the September Audit Committee and feedback received, the RAG status has been removed and been replaced by the words 'overdue' or 'on track'.

The Governance Action Plan as at 31.10.17 can be found at 'Appendix 1'.

Of the 48 items listed, 19 still remain open and 29 items have now been closed based on evidence received during the reviews. Since the last Committee meeting in September, 2017, seven actions have been completed and a number are near completion. For example once the risk management strategy is approved at Management Board, and additional four actions are linked with that and will be completed also.

All but one of the remaining actions should be completed by 31.12.17, the one exception is in relation to the preparation of the Annual Governance Statement for 17/18.

GOVERNANCE AREA	Number of Actions	Fully Implemented	Partly Implemented	Not Implemented	To Be Confirmed
Risk Management	6	1	4	1	0
Project Processes	3	1	2	0	0
Programme & Project Support	5	2	0	3	0
Due Diligence	1	0	1	0	0
IA Recommendations	4	4	0	0	0
Exec. Decisions – Cabinet Processes	13	9	3	0	1
Governance	4	2	2	0	0
Financial Governance	11	9	1	0	0
Other	1	1	1	0	0
Total	48	29	14	4	1
Percentage	100%	60%	29%	8%	2%

3.1.3 The objectives of the governance action plan are:

- To renew and greatly enhance focus on officer compliance with policies, procedures and best practice in all aspects of governance, backed by enhanced professional and technical engagement and a central capacity to provide support, training, development and enforcement to ensure compliance.
- To enhance and strengthen the role of the Audit Committee in overseeing compliance with policies and procedures. Specifically moving into the future this will be to further develop the Audit Committee to ensure organisationally independent assurance to the Cabinet on:-

- The adequacy of risk management and the control environment at the Council
- The Council's financial and non-financial performance to the extent it affects exposure to the risk and the control environment
- The financial reporting process
- The effectiveness of internal audit, risk management and anti-fraud plans and strategies and functions
- Effective working arrangements between internal and external audit
- The annual plans of internal and external audit
- The implementation of audit recommendations
- Achieving compliance with CIPFA/SOLACE recognised best practice in local authority governance

3.1.4 The objectives will be met by:

- The governance team will actively engage with the service areas to support on areas of risk and compliance through attendance at monthly DMT's. Assistance will be given on all aspects of governance but with specific focus on preparation and review of service plans linking the KPI's through to risk registers for service risks, information risk and fraud risk. The service area risk registers will be updated and forwarded to the newly formed Performance Board for review and escalation to Management Board should any Corporate Risk be identified.
- Internal control review – an internal control officer has been recruited with a start date of 27th November, 2017. The purpose of this role is to review and evaluate current processes and procedures and assist the business with updating and implementing procedures to strengthen internal controls.
- Regular reports will be presented to the Audit Committee on the internal control review plan (prepared annually), reviews undertaken in the period, recommendations issued and management actions implemented.
- Training for Audit Committee members when a requirement is identified for additional knowledge around the role of an Audit Committee, finance, risk and internal controls.

3.1.5 Implementation of this Governance Action Plan is owned and overseen by this Committee, by the Leader of the Council, the Chief Executive and the Statutory Officers, by Management Board and the Performance Board led by the Borough Secretary.

3.2 The following are the key improvement areas in the Governance Action Plan.

3.2.1 Risk Management

3.2.2 Risk management is a key priority in the Governance Action Plan and has three linked tasks which are firstly to review the risk management framework,

policy, procedures and processes of the Council, secondly to embed risk management throughout the organisation and lastly to ensure there is effective risk reporting through the governance process.

- 3.2.3 The Council's risk management strategy and framework has been reviewed and updated and will be presented to Management Board on 9th November for review and comments. Following any amendments as a result of management review, the final document will be presented to Audit Committee at the next meeting in January, 2018 and Cabinet for final approval. However, implementation of the strategy will commence prior to Committee and Cabinet review by way of assisting service areas with completion of their risk registers.
- 3.2.5 The Risk Appetite Statement is a published disclosure to our stakeholders and community of the nature and amount of risk the Council is willing to accept and take on further to the pursuit of its strategic objectives. As stated in the risk management strategy and framework: *"The Council's approach to risk appetite will evolve over the next few years as the risk management within the organisation matures. It is currently addressed by targeting key risk areas both at corporate and operational level."* Therefore, the risk appetite statement will be updated on an annual basis following evaluation of the risk management implementation and its effectiveness.
- 3.2.6 Arrangements for risk management as outlined in the strategy and the processes for embedding the new strategy will also be the subject of an internal audit review by PWC in Quarter 4 to provide further assurance that the new arrangements are robust, comply with best practice and an effective programme is in place to fully embed at the Council.
- 3.2.7 Additionally further to Action 6 in the Governance Action Plan risk management training and development plans have also been largely agreed for the Cabinet, Management Board, Heads of Service and the Audit Committee. Outstanding interviews with three members of the Audit Committee, the Borough secretary and the interim Chief Executive will be organised during November, 2017. Once interviews and training plans have been completed, the interim HR Manager will assist in organising relevant training sessions facilitated by an external provider to ensure relevant training is delivered.
- 3.2.8 In this way the Council is continuing to build a visible risk-aware culture which is "live" and "active" in the organisation, is understood and acts meaningfully in support of decision-making.

3.3.1 Due Diligence

- 3.3.2 An extensive loans compliance checklist has been developed, and reviewed by the Council's banker Barclays, with use of the checklist a mandatory part of due diligence at the Council. This document has been shared with the external auditors for review and comments.
- 3.3.3 A due diligence and compliance manual will be prepared although the methodology has not yet been agreed. The manual will operate as a toolkit support for officers. Estimated completion for this piece of work is 31.12.17.

3.3.4 Due diligence has also been identified as a high-priority dedicated training modules as part of Licence to Practice to be delivered before 31.12.17. The estimated date for completion has been amended from 31.07.17 due to the position of Training and Development Manager becoming unexpectedly vacant in July 2017, an interim HR Manager has been appointed and will be instrumental in delivering the LTP training. An external provider, BPP, is currently working on a training plan specific for local government use and this will be reviewed for adequacy prior to engagement.

3.4 Project & Programme Support

3.4.2 A review of project governance and development and implementation of a Corporate Project Management Framework are the two key tasks set for project and programme support in the Governance Action Plan.

3.4.3 Retrospective reviews of all projects has been identified as a requirement to ascertain the current status for the remaining live projects. The Northampton Alive Board is also working on evaluating the projects and identifying the priorities for the Council from both an officer and member perspective in relation to which projects are key deliverables.

3.4.4 The Corporate Project Management Framework policy and procedures documentation is near completion. A working group has been identified to contribute to defining the project process flow, documentation to use and control points. A revised reporting guide will be incorporated into the process to ensure that clear reporting of the progress of projects is made to Management Board on a regular basis. The draft policy and process documentation will be presented to Management Board for approval and to the Audit Committee and Cabinet once completed.

3.5 Internal & External Audit

3.5.2 The Governance Action Plan identifies the review of internal audit recommendations and improved reporting of internal audit recommendations as two key tasks of the plan.

3.5.3 As previously agreed by the Audit Committee, there will be separate reporting and attendance at Audit Committee by the LGSS Internal Audit team and PWC to provide assurance in areas relevant to their role and responsibility to NBC.

3.5.4 A review of NBC Internal Audit and LGSS Internal Audit plans has been undertaken to ensure they complement each other and to ensure that there are no gaps, inconsistencies or clashes between these plans. This will continue to be reviewed each year in framing and then monitoring the Annual Audit Plans.

3.6 Implementation of Audit Recommendations

- 3.6.2 An area of identified weakness for the Council is the monitoring and reporting of delivery against audit recommendations, both internal and external. To address this, the PWC TrAction software that is available to NBC is being actively used and the governance team have taken responsibility for monitoring the implementation of recommendations for all PWC internal audits and audits completed by agencies such as the Food Standards Agency. The external audit recommendations for 16/17 will be logged and tracked once the audit report is completed by KPMG.

The Governance team will perform follow ups for the internal audits completed by PWC, LGSS will maintain the follow up for their audits.

- 3.6.3 A couple of audits for 16/17 relating to housing and licensing had not been uploaded onto the TrAction system and this was rectified in October 2017 following identification of the omission at the Corporate Governance and Support Officer Board.
- 3.6.4 A copy of the outstanding recommendations have been emailed to the responsible officers in October 2017 and a follow up will be completed by the end of November, 2017. For 17/18 no audit reports have yet been finalised.
- 3.6.5 A report showing the current outstanding actions can be found at Appendix 2.

3.7 CIPFA/SOLACE Delivering Good Governance

- 3.7.2 The key tasks set in this area of the Governance Action Plan for are firstly to undertake a substantive review of the effectiveness of the Council's corporate governance processes and secondly to put in place the improvements that will enable the Council to achieve the External Validation accreditation (Mark of Excellence) awarded by CIPFA/SOLACE for the efficacy of its governance processes.
- 3.7.3 Self-assessment questionnaires have been completed by senior managers, the Governance and Risk Manager also completed the questionnaire based on actual evidence available to demonstrate how NBC compare against the standard. The initial results are:

Actions in place/partly in place	= 84%
Not in place	= 16%

Quite a number of actions relate to the update of policies and procedures which is currently in the process of being reviewed before they are uploaded onto the intranet.

A full gap analysis will be presented at the January 2018 Audit Committee. Compliance with CIPFA/SOLACE is not a quick fix for NBC, it is an ongoing commitment that has to be made by management with the objective of gaining external validation.

3.8 Other Governance Areas

- 3.8.2 One of the key tasks set for this area of the Governance Action Plan was to review and update the Whistleblowing Policy. The policy has been updated and reviewed by PWC as part of their audit work around governance. There is a draft audit report with minor recommendations suggesting improvement over clarity of the information within the policy. The recommendations will be reviewed by the Borough secretary and implemented when agreed.
- 3.8.3 The implementation of the policy and the external hotline number will include wallet cards, posters and a letter that will be issued to employees giving information on the service provided. Communication via the NBC newsletter and intranet will be completed during November 2017.
- 3.8.4 The external provider will issue a monthly report categorising the number of calls received, this is currently emailed to the governance team but once the hotline is live, a monthly report will be shared with the Monitoring Officer. Following on from that, a report will be prepared for Audit Committee showing the number of calls received, the nature of the call and what action, if any, has been taken.
- 3.8.5 In the meantime, there is a mobile number that is monitored daily by the governance team and any messages received will be followed up as soon as possible. To date, there have been no calls requiring action.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There will be various impacts and indeed transformation of current policies. The governance action plan will ensure that all policies are tightened and individually and in aggregate contribute to embedding effective arrangements for risk management and to building a strong control environment at the Council.
- 4.1.2 Compliance with these policies will now be strongly monitored once resource is in place and reported upon through the governance structure and to the Audit Committee.

4.2 Resources and Risk

- 4.2.1 The additional capacity required to implement the governance action plan previously reported to the Audit Committee has now been put in place through normal decision-making processes. Financial implications will be reported through the budget process.

4.3 Legal

- 4.3.1 None to report at present.

4.4 Equality

4.4.1 Whilst there are no specific equality implications at this stage, various HR policies will be reviewed through the governance action plan. All these reviews will be supported by equality and community impact assessments using Stonewall LGBT rights charity.

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place with Management Board and other senior officers, LGSS finance, and Internal Audit and External Audit on the matters in the governance action plan and external expert advice has been taken where required.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 None

Francis Fernandes, Borough Secretary
Glenn Hammons, Chief Finance Officer
Joanne Bonham, Governance & Risk Manager