



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Governance Action Plan – Progress Update</b>
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**AGENDA STATUS: PUBLIC**

Audit Committee Meeting Date: 6<sup>th</sup> March 2017

Policy Document: No

Directorate: Chief Executive, Borough Secretary  
and Chief Finance Officer

Accountable Cabinet Member: Leader of the Council

### **1. Purpose**

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To provide Audit Committee with an update on actions taken to date to implement the Governance Action Plan considered and approved by Audit Committee at its meeting on 5<sup>th</sup> December 2016 and any broader governance issues arising.

### **2. Recommendations**

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Audit Committee is recommended to:

- 2.1 Note the progress against the Governance Action Plan.
- 2.2 Consider the actions taken to date and to provide guidance to Officers on any areas of the Governance Action Plan they would require further action or prioritisation.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 The Audit Committee received an update report on the Governance Action Plan at its meeting on 16<sup>th</sup> January 2016.
- 3.1.2 This report provides an update to Audit Committee on actions from 16<sup>th</sup> January 2016 to date against the Governance Action Plan.

## **3.2 Issues**

- 3.2.1 The new broad governance architecture and arrangements outlined to Audit Committee on 5<sup>th</sup> December 2016 are operational and are embedding well. This report picks out the key areas of activity and improvements.

The following section outlines progress to date in establishing this structure.

### Executive Programme Board

- 3.2.2 The Executive Programme Board has been operational. By the date of this meeting the Board will have met 11 times and is working well as a forum for early consideration of key issues, many at the formative stage of development.

### Corporate Governance and Support Board

- 3.2.3 This Board's role is to drive the actions arising from the Governance Action Plan specifically and to consider broader governance issues requiring consideration and action. This Board will have met 6 times by the date of this meeting, has agreed terms of reference and currently meets every 3 weeks. This Board has strengthened its membership and is now supported by Heads of Service from each directorate and other key Officers.

### Efficiency & Medium Term Finance Board and People & Transformation Board

- 3.2.4 These two Boards have been established and have commenced work. Further details on these Boards work will be brought to the next Audit Committee meeting.

### Risk Management – Priority 1

- 3.2.5 The policy and procedure index has now been compiled. Directors are prioritising the review schedule for the policies. Review of all out of date policies will be completed by end of March 2017. As these are reviewed they will be saved on the intranet for general access. The review cycle for policies will be taken to Management Board on 6th April 2017. Policies will clearly state the review cycle. All HR policies are to be reviewed by an external specialist due to the importance of and quantity of policies to be reviewed.
- 3.2.6 Risk Management training for key officers and member groups will be delivered by a specialist provider. Officers are currently in the process of sourcing this support.
- 3.2.7 Risk reporting is being reviewed, ensuring that there is an effective cascade of information through governance arrangements. External expertise is being sought to review the governance arrangements for risk management from Service through to Corporate level. Details will be included within the risk

policy. The final risk policy is awaiting sign off and will be uploaded to the intranet as soon as possible.

### Due Diligence – Priority 2

- 3.2.8 The loans checklist has been reviewed by both PwC, Legal Services and LGSS Internal Auditors and their feedback has been incorporated in the revised checklist. This will enable a review of all the existing third party loans against the revised checklist before the end of the financial year.
- 3.2.9 Existing loans to third parties are now subject to enhanced monitoring by the council's treasury management team to ensure that where possible any issues that may affect future repayments are identified early so that mitigating actions can be taken.

### Project and Programme Support – Priority 3

- 3.2.10 Officers are in the process of recruiting an interim Governance and Risk Manager and interviews are expected in the week commencing 27<sup>th</sup> February 2017. This is a key role and it will act as a focus for key aspects of the Governance Action Plan. In addition recruitment for a permanent holder of this role is underway.
- 3.2.11 The Corporate Programme Delivery Manager and the Programme Delivery Officer transferred to NBC from LGSS on 1<sup>st</sup> February 2017. These two staff now form part of the Borough Secretary's Division and will report directly to the Governance and Risk Manager once appointed. The relevant staff have been tasked with mapping all projects and programmes currently live within the authority against which governance standards and risk management will be measured, with the specific aim of raising project and programme standards and providing the Council with project and programme assurance.

### Licence to Practice Training Programme

- 3.2.12 In order to comply with the Governance Action Plan it is essential that Officers of the Council that are authorised to spend money, make any relevant decisions, assess risks, or manage projects, are competent to do so within the relevant regulations and legislation and within their role profile.
- 3.2.13 To enable the Council to have confidence in the above, a needs analysis is partially completed and a robust knowledge and skills based programme will be developed to ensure that standards are met by all. The full, resourced Licence to Practice programme will be reported to Audit Committee at its next meeting.
- 3.2.14 The Governance and Support Board discussed the specific areas of Governance training needed at its meeting on 23<sup>rd</sup> January 2017. To assist this consideration the Board has also received details from CIPFA on the specialist compliance training CIPFA can provide (see below heading on Good Governance). This is being considered as part of the Licence to Practice.

3.2.15 A comprehensive scheme of training is being developed, which will be tailored according to job role, including the topic areas below. This initial list will further develop and no doubt become more lengthy, detailed and comprehensive. The training will be delivered through a combination of in-house and external resources, including some use of on-line learning where this meets the exacting standards that we need to set for NBC:

- Officer Delegated Decision Making (including identifying the power and, recording of decisions)
- Financial Standing Orders, procedures and regulations including ordering, receipting, invoicing and payment
- Procurement – including Contract Procedure Rules
- People Management including compliance with policies and legislation, including Equalities and Health and Safety
- Corporate Mission, Vision and Values, and Cultural Change
- Corporate Planning and Objective setting
- Employees' Code of Conduct – including declaring interests and declaring gifts and hospitality
- Fiduciary duties.
- Audit – understanding and responding to Audit
- Whistleblowing
- Constitution
- Process leading up to Cabinet – covering Key Decisions, the Executive Decision Notice, the need to give advance notice of intention to hold meeting in private, the use of the exceptions and the limited circumstances in which it will be appropriate to use them, the clearance process
- Report writing requirements (Report writing guide)
- Exempt information/confidential information and background papers
- Risk management – risk registers
- Risk identification, assessment and mitigation
- Project and Performance Management
- Data Protection (but not FOI) and possibly records management (thinking of some of the issues arising from the recent investigations where the need for better record keeping practices has been identified)
- Equalities – the public sector equality duty and EIAs/CIAs
- Human rights – linked to data protection and equalities
- Interface between members and officers:-

A modular training programme will be lead by the Governance & Risk Manager working with the HR Learning and Development function, and such other specialist officers as are required (including particularly Finance, HR and Health and Safety) and all attendees will be required to complete and pass an assessment of learning to receive their accreditation in that module.

3.2.16 Internal and external subject matter experts will be engaged to deliver the modules.

3.2.17 Once accreditation has been achieved attendees will be given authority to complete the relevant duties and make the decisions required of their roles.

#### Priority 4 - ISA 260

3.2.18 A separate report is on the Audit Committee agenda. In summary of the 41 actions identified, 31 have been completed and all are expected to be completed by the end of April 2017.

#### Priority 5 – Internal Audit Recommendations

3.2.19 Work is being undertaken by performance and finance staff following discussions with the internal auditors PwC to archive prior year reports where actions are all completed or no longer relevant. The follow up of current actions is being co-ordinated and reviewed by performance staff with PwC also accessing the tracking tool to check on progress. There has been significant work done to update the status of actions with performance staff contacting action owners to provide updates. Access to the system is being reviewed by performance staff as new audit reports are added to ensure that the management actions are allocated to appropriate officers to enable monitoring.

#### Priority 6- Effective Decisions- Cabinet Clearance

3.2.20 The evaluation period and process for the new arrangements have been reviewed and are also now being actioned. Deadlines are now published on the internet to assist officer on the delivery of training standards requirements. Work has commenced on the delivery of training on Equality Impact Assessments and should be completed no later than by the end of the next quarter.

3.2.21 A report writing Guide has now been completed and issued.

3.2.22 The Borough Secretary and Chief Finance Officer have reviewed and refreshed the clearance process and basic guidelines on cabinet process has been circulated. Requirements for regularly reporting back to cabinet on significant projects has been actioned and is ongoing.

#### Priority 7- Governance

##### **CIPFA/SOLACE –DELIVERING GOOD GOVERNANCE FRAMEWORK**

3.2.23 This framework is broad and encompasses various elements and facets of good governance. The Governance Action Plan commits to applying and testing the Council's current and improved governance arrangements against the framework. External validation of the Council's actions to improve governance and to provide assurance to the tax payer is essential. With this in mind the Governance and Support Board invited CIPFA to its meeting on 11th January 2017 to consider the accreditation services CIPFA provide. An Officer from CIPFA attended the meeting and outlined to the group the accreditation services CIPFA provide. A copy of CIPFA's slides are attached as **appendix 1**. The CIPFA accreditation service picks up the CIPFA/SOLACE framework requirements and benchmarks organisations against the IFAC/CIPFA International Framework: Good Governance in Public Bodies (2014). The Governance and Support Board have now received a proposal from CIPFA for

the various level of Services they provide against the above standard. This ranges from self-assessment to independent assessment against the IFAC Framework. Management Board will consider the proposal at its next available meeting

#### Priority 8- Financial Governance

##### 3.2.24 Priority 8a

3.2.25 The number and value of retrospective orders continue to be monitored monthly and reported to Management Board as part of the financial dashboard. There has been a significant reduction in both the level and volume over year. The table below provides a comparison:

	<b>April 2016</b>	<b>January 2017</b>
Value of retrospective orders	£6,048k	£80k
Number of retrospective orders	104	54

3.3.26 The reporting of retrospective order is a key part of the financial reporting cycle and there will be continued challenge of any non-compliance which should further reduce retrospective orders

##### 3.3.27 Priority 8b/c/d

As reported in the last update report there are revised forms and processes in place for Reserves Drawdown, Supplementary Estimates and Virements. These are reported monthly to Management Board and also to Cabinet as per the quarterly monitoring report.

In the coming months there will be a continued focus on compliance with the revised forms and processes. This will be reinforced through the Budget Manager training as part of finance training aspect of the Licence to Practice. The documentation for this element of the Licence to Practice has been developed and is currently being reviewed with the other elements of the documentation to ensure consistency and that it is fit for purpose.

##### 3.3.28 Priority 8e

The enhanced governance of the capital programme has been established as part of the budget report approved by Cabinet and then proposed to Council in February. These enhancements have split the programme into two parts. Firstly, the Approved Programme which includes all schemes which are in their delivery stage and secondly, a Development Pool which includes all of those schemes in their feasibility and design stages. To progress from the Development Pool to the Approved Programme each scheme will need to go through a Gateway review process.

The design and implementation of Gateway review process to move capital schemes from Development Pool is in the process of being developed through the Governance Board and Capital programme Board.

### 3.3.29 Priority 8f

The finance training documents for the Licence to Practice have been scoped out and drafted. Over the next few months they will be finalised and the roll out of finance training to support the Licence to Practice will commence.

### Priority 9- Whistleblowing and Miscellaneous

#### 3.2.30 Whistleblowing Issues

3.2.31 The Standards Committee Working Group, composed of members of the Standards Committee supported by Officers has now formulated a draft Work Plan for agreement by the Standards Committee. This Work Plan includes Standards Committee involvement in the refresh of the Council's whistleblowing Policy and Procedure. Officers are currently the process of updating the draft Whistleblowing Policy having received comments and views from the Standards Committee on the policy approach. The Standards Committee Working Group are due to consider the Whistleblowing policy and procedure on 2nd March 2017 ahead of Standards Committee on 20th March 2017. This policy will then follow the normal governance approval process for the Council.

#### 3.2.32 Miscellaneous Governance

3.2.33 The draft Work Plan of the Standards Committee includes the following key ethical governance items:

- Register of Interests and Gifts (Members and Officers) - To consider and review the types of interests that Members and Officers are required to declare; the way such declarations are made and how they are monitored by the Standards Committee.
- Members' Code of Conduct and arrangements for investigating alleged breaches - To review and update, as necessary, the Code of Conduct and Arrangements for investigating alleged breaches
- Organisational Ethics and Culture - To receive an update on the Organisational Change Programme and to comment and input into that Programme into Ethical Conduct Matters.
- Training Strategy - To develop and approve the Training Strategy for all Members of the Council in relation to ethical and governance matters and to include specific training for Members of the Standards Committee. The Work Group is due to consider a draft Training Strategy later this month.
- Communication Strategy - To develop and approve a Communications Strategy to promote the work of the Standards Committee and the importance of ethical governance.

- CIPFA International Framework: Good Governance in the Public Sector - The Committee to receive briefings on the CIPFA International Framework: Good Governance in the Public Sector in so far as it relates to the work of the Standards Committee.

### Efficiency & Medium Term Finance Board

3.2.34 The Efficiency and MTF Board, led by the Director of Customers and Communities, is developing its scope and terms of reference. It is working on updates to the Efficiency Plan including an 'away day' with Management Board and other senior officers on 02.03.2017 to determine a final list of deliverable projects for which detailed business cases will be developed.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 This report does not of itself change policy. However the actions arising from the implementation of the Governance Action Plan will have policy implications.

### **4.2 Resources and Risk**

4.2.1 None specifically arising from this report. However many of the actions arising from the Governance Action Plan will have financial implications and will be considered on an item to item basis.

### **4.3 Legal**

4.3.1 None specifically from this report, although many of the changes will have specify legal implications which will be considered on an item to item basis.

### **4.4 Equality**

4.4.1 None specifically. However the actions outlined in the Governance Action Plan will be supported by appropriate Equality/Community Impact assessments.

### **4.5 Consultees (Internal and External)**

4.5.1 There has been no separate consultation on this report

### **4.6 Other Implications**

4.6.1 None specifically

## **5. Background Papers**

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5.1 Internal Files on Governance Action Plan maintained by the Borough Secretary

**David Kennedy, Chief Executive**  
**Francis Fernandes, Borough Secretary**  
**Glenn Hammons, Chief Finance Officer**