NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Progress Update on Implementing the Governance Action Plan

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 15th January 2018

Policy Document: The Governance Action Plan

Directorate: Borough Secretary

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1.1 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**:

Of the 48 items originally listed for implementation, 12 remain open and 36 have been closed based on evidence received during the update reviews. Since the last Committee meeting in November, 2017, seven actions have been completed.

Some of the completion dates for open items have been moved to 31.03.18 due to the nature of the required action. For example, the Risk Management Framework implementation will be slowly embedded through the business and the aim is to have service plans and risk registers in place by the start of the new financial year.

GOVERNANCE AREA	Number of Actions	Fully Implemented	Partly Implemented	Not Implemented	To Be Confirmed
Risk Management	6	3	3	0	0
Project Processes	3	1	2	0	0
Programme & Project Support	5	4	0	1	0
Due Diligence	1	0	1	0	0
IA Recommendations	4	4	0	0	0
Exec. Decisions – Cabinet Processes	13	10	2	0	1
Governance	4	2	2	0	0
Financial Governance	11	11	0	0	0
Other	1	1	0	0	0
Total	**48**	**36**	**10**	**1**	**1**
Percentage	**100%**	**75%**	**21%**	**2%**	**2%**

The Governance Action Plan as at 31.12.17 can be found at *Appendix 1*.

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 actively engaging 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, fraud risk and health and safety. The service area risk registers will be updated and forwarded to the newly formed Corporate Improvement Board for review and escalation to Management Board should any Corporate Risk be identified.

- • Internal control review – An internal control review plan will be developed prior to the new financial year and will be presented to Management Board and Audit Committee for approval. The purpose 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 Corporate Improvement Board led by the Borough Secretary.

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

3.2   Risk Management

3.2.1   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.

3.2.2   The Council's risk management strategy and framework has been presented to Management Board and can be found at *Appendix 2* for approval by the

Audit Committee. Implementation of the strategy has already commenced by way of presenting the service plan and risk register formats to the directorates through their DMT's.

3.2.3 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.

3.3   Due Diligence

3.3.1 Due diligence was identified as a high-priority dedicated training modules as part of Licence to Practice to be delivered before 31.12.17. An external provider, BPP, delivered the training on 7th December, 2017 with a focus on entering contracts and what to be aware of. We received mixed feedback from the participants in that some felt it was a little too detailed on contracts and could have been reduced to a half day course. However, there were a number of participants that are reviewing their current contract obligations as a result of the training.

3.3.2 Further due diligence training needs will be addressed during 2018.

3.4   Project & Programme Support

3.4.1 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.

3.4.2 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.

3.4.3 The draft Corporate Project Management Framework policy and procedures documentation was presented to Management Board on 30th November, 2017 and was accepted in principle. Amendments to the document will be made and a final document re-presented to Management Board in January 2018. 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.

3.5   CIPFA/SOLACE Delivering Good Governance

3.5.1 The key tasks set in this area of the Governance Action Plan 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.

3.5.2 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%

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

Below is a summary of NBC compliance as of June 2017:

NBC Compliance					
Section	Section Title	No of principles	Yes	No	Partly
A	Behaving ethically and with integrity	13	4	0	9
B	Ensuring openness and stakeholder engagement	13	6	4	3
C	Defining outcomes	9	2	1	6
D	Determining interventions (Courses of action)	13	6	1	6
E	Developing leadership and capacity	12	1	5	6
F	Managing risk and performance	18	4	3	11
G	Transparency and accountability	12	6	0	6

90	29	14	47
	32%	16%	52%

A full gap analysis can be found at **Appendix 3**. 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 over the next 2-3 years.

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 polices will be monitored through the Internal Control reviews and reported upon through the governance structure and to the Audit Committee starting in the new financial year.

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 be 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