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AUDIT COMMITTEE

Public

Date of Meeting: 15th April 2008

Title: Action Plans – Statement on Internal Control and Code of Corporate Governance

Report of: Director of Corporate Services

Report reference: CORP 2/08

Summary:

This report appraises Members of progress made on the above Action Plans.

Recommendations:

Members are requested to note the attached Action Plans and the current position relating to each of the areas that have been identified. Issues arising from these Action Plans will be fed into the Council's overall Improvement Plan.

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ACTION PLANS – STATEMENT ON INTERNAL CONTROL AND CODE OF CORPORATE GOVERNANCE

1 - Statement on Internal Control - Background and Legislation

1.1 Regulation 4 of the Accounts and Audit Regulations (2003) requires the Authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to publish a Statement on Internal Control (SIC) each year with its financial statements.

1.2 The purpose of the SIC process is to provide a continuous review of the effectiveness of the Authority's internal control and risk management systems, so as to give assurance on their effectiveness and/or produce a management action plan to address identified weaknesses in either process. The process of preparing the SIC is intended to add value to the corporate governance and internal control framework of an organisation.

1.3 The SIC for 2006/07 was presented to Members at the meeting of this Committee on 22nd June 2007 (Report CORP29/07 refers), and the Action Plan was updated as required.

1.4 On a quarterly basis, the Deputy Directors are contacted, and asked to up-date the relevant Section/s of the Action Plan, including the inclusion of any additional risks which have been identified. The Action Plan is then amended and any changes are highlighted for ease of reference.

1.5 The up-dated Action Plan is attached to this report at **Appendix A**.

2 - Code of Corporate Governance – Background

2.1 The term "Corporate Governance" came into common use in the United Kingdom following the publication of the Cadbury report in 1992 – since then it has been widely used in both private and public services.

2.2 Corporate Governance has been defined as *"the system by which organisations are directed and controlled"*.

2.3 In accordance with CPFA/SOLACE guidance entitled "Framework for Corporate Governance in Local Government", the Authority is required to review its existing corporate governance arrangements against the framework and to prepare and adopt a local Code of Corporate Governance (COCG).

2.4 This review has been undertaken, and a number of areas have been identified, where it is considered that appropriate action is required to ensure that the Authority's arrangements in this respect are satisfactory.

2.5 On a quarterly basis, the Deputy Directors are contacted, and asked to up-date the relevant Section/s of the Action Plan, including any additional areas which have been identified. The Action Plan is then amended and any amendments are highlighted for ease of reference.

2.6 The up-dated Action Plan is attached at **Appendix B**.

3 Future merger of SIC and COCG

3.1 For 2007/08, the SIC and the COCG will be replaced by/combined into a single "Annual Governance Statement". A working group, comprising the Deputy Directors and co-ordinated by the Head of Audit Services, will undertake the production of the required Statement.

3.2 The Statement will be presented to members of this Committee at their meeting in June 2008.

4 - Recommendation

Members are requested to note the attached Action Plans and the current position relating to each of the areas that have been identified. Issues arising from these Action Plans will be fed into the Council's overall Improvement Plan.

Director of Corporate Services
April 2008

Statement on Internal Control - Action Plan 3rd April 2008.

Appendix A

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date	Movement
1	Formal approval of a "Code of Corporate Governance" is in course of development - its production is being co-ordinated by the Senior Management Team. .	High	High	Corp	2007/08	The Code of Corporate Governance and a statement of its principles will be included, in due course, as part of the preamble to the Financial Procedure Rules. The CIPFA/SOLACE Working Group on Good Governance has now issued the document entitled "Good Governance in Local Government", which is intended to update the governance framework "Corporate Governance in Local Government: A Keystone for Community Governance". For 2007/08, the SIC and the COCG will be replaced by/combined into a single "Annual Governance Statement".	Guidance now received- to be actioned for 2007/08. Evidence to support the production of the Statement is being collated.

2	Further analysis and management of Corporate and Business Risk	High	High	PPP	Ongoing	Service Heads are responsible for ensuring that, on a regular basis, Operational Risk Registers are updated, but this action is not being taken in all case.	The Corporate Risk Management Group (CRMG) is currently pursuing this action. The Portfolio Holder sits on the CRMG. The Audit Committee receives quarterly reports relating to the Corporate Risk Register (CRR), but does not receive information relating to the Operational Risk Registers.
3	Job Descriptions are to be updated for all staff in each Directorate, in preparation for Job Evaluation.	High	High	PPP	Ongoing	Ongoing - Directors are responsible for ensuring that Job Descriptions are addressed and up to date - to be addressed as part of 2008 appraisal process.	The Job-Evaluation process is almost completed.

4	Ensure that adequate training and support are available for the new Audit Committee	High	High	LDS and Corp	Ongoing	The Audit Committee was set up on 22nd May 2006. The Audit Committee is now fully functioning and training needs were researched in 2007. This year's Members of the Audit Committee have recently undertaken a "self-assessment" exercise, the results of which were reported to the Committee on 16th January 2008. Training will be provided for new Committee Members in June 2008.	At a recent meeting with the Audit Commission relating to Use of Resources (UOR) was suggested that the Audit Committee's remit should include the Financial Reporting Key Lines of Enquiry on UOR self-assessment. A report covering this was presented to the Audit Committee on 16th January 2008
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5	Ensure that the Corporate Procurement Policy is delivering the expected outcomes.	High	High	Corp	ongoing	The responsibility for procurement has transferred to the Corporate Services Directorate. A report was presented to Corporate Resources Overview and Scrutiny Committee and to the Executive in January 2007 seeking approval to "Shared Services Procurement" with other Cumbrian Public Bodies. Since the outcome of the Local Government Re-organisation issue was determined (i.e. no Unitary for Cumbria), discussions have been re-commenced with the purpose of exploring shared services opportunities.	Progressing well. New Strategy, Policy and Guidance Notes have been produced and have been agreed by Council. These will be available on the Intranet for staff and on the Internet for the community.
6	Development and procedural documentation of the Financial Information System and of the business critical systems as required by the Audit Commission will be co-ordinated by Corporate Services.	High	High	Corp	Ongoing (2007/08)	Information relating to Business Critical Systems has been collated by Audit Services.	Progress being reviewed by Audit Services

7	S11 recommendation - the Council should improve its financial management arrangements and systems of internal controls, in order that it is able to prepare financial statements which are free from material error and demonstrate proper stewardship of public money.	High	High	Corp	Ongoing	The 2006/07 accounts were approved by the Audit Committee on 27th September 2007.	The accounts for 2006/07 were signed off by the statutory date of 30th September 2007. An unqualified opinion was given. Whilst many improvements were achieved, as acknowledged by the Audit Commission in their annual Governance Report, there still remained some issues regarding material errors.
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8	The former DSO system, Contractor Plus, is difficult to integrate to the main accounting system. Now that the Final Accounts closedown process is significantly shorter, 30th June - there is a significant risk that closedown will not be achieved on time due to problems in reconciling the two systems	High	High	Corp/Comm	2007/08	Discussions are taking place between the two Directorates as a matter of priority to ensure that these systems and processes are more efficient on the current system. A budget has been approved to replace the Contractor Plus system. A procurement process for a replacement system is currently under way.	The initial tendering process failed to appoint a provider. Options are being considered to develop the existing property Services Asset Management System (MASS).
9	At present, the Authority does not have an agreed I.T. Security Policy	High	High	Corp/IT	Apr-08	Work is progressing on the draft Policy. The Director of Corporate Services has taken the responsibility to ensure that the Policy is finalised during 2008-09.	This issue was discussed at the Audit Committee on 16th January 08. Members asked for a progress report to be brought to the April 08 meeting. The D.O.C.S. also agreed to provide Members with an interim written response.

Code of Corporate Governance - Action Plan 3rd April 2008					Appendix B	
Ref	Action	Priority	Risk	Owner	Deadline	Movement
	Service Standards					
1	To establish a review of Service Standards, by the involvement of the local community.	High	High	Comm Serv	Jun-09	Service Standards informed by consultation with local people; to be developed further 2007
					Does not only include reference to minority groups. The Council has achieved Level 1 of the Commission for Racial Equality Standard & has draft equalities policy in place. The review of service standards is ongoing and will be part of the new service plans for 07/08. The delivery of Streetscene services is constantly reviewed in response to community feedback and opportunities for joined-up working with other agencies i.e CHA, Police are being developed.	
2	To complete mapping all our Services across the 6 Districts and other bodies to identify areas to partner.	High	Medium	PPP	Ongoing	A Business Architecture project is now underway which will help inform the Shared Services process in the future
					Shared services was initially progressed through ACE. There is now a policy in place for Shared Services which has been agreed by Council. Funding has been approved for ACE 2007 - 2010. Work has been undertaken on an outline business case for an IT shared service arrangement across the County but this stalled due to unitary debate.	

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date	Movement
3	The "Renaissance of Carlisle" master plan will identify strategic transformational opportunities and services to be delivered with other agencies. An Action Plan is being developed from the Economic Strategy for Carlisle under the main themes of Place, People and Connection to encourage investment, sustainable economic growth, the creation of good quality jobs and to address areas of deprivation and economic disadvantage.	High	Medium	Ren	Ongoing	A report was presented to the Executive at their meeting on 17th December 2007 where it was agreed to make a submission of a detailed funding application for £2,884,000 to the NWDA in furtherance of the objectives of Carlisle Renaissance. The NWDA has awarded £819k of pre-approved funding, covering costs for a second Development Manager for 2007 to 2010 and for additional support in the form of a Programme Director, Movement Strategy Co-ordinator to be employed by Cumbria County Council and other project management support. The Economic Strategy is currently nearing completion with a Final Report circulated in March 2008. Following discussions between Carlisle City Council and NWDA Chief Executive and Chairman, agreement has been reached on the establishment of a private-sector led leadership group to drive forward Carlisle Renaissance.	Progress Report to CROs and Executive in March 2008

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date	Movement
						An interim Steering Group has been established to take forward the development of a Business and Action Plan for the delivery of the Strategy pending the formal creation of a new Board. This group includes representatives of the Carlisle City Council, Cumbria County Council, Cumbria Vision, the Northwest Development Agency, English Partnerships and the private sector led Economy & Enterprise Group of the Carlisle Partnership, responsible for the preparation of the new Carlisle Economic Strategy. The target date for the formal establishment of this new mechanism is April 2008. Progress will be monitored through the Corporate Resources Overview and Scrutiny Committee.	

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date	Movement
4	Performance Management To strengthen links between performance and financial management.	High	High	Corp Serv and PPP	2007/08	The 2006/07 Use of Resources Judgement suggested that a set of local performance measures, in relation to assets, needed to be developed urgently. It also suggested that whilst the Council is relatively high spending, high performance is not demonstrated across all Council services.	Further improvements are being developed, however decision making in addressing poor performance/high cost needs further consideration. The April to September 2007 Performance Report incorporated financial information as against Performance Indicators.
5	To ensure that procurement of new Business System for Employment and Reward reflects needs for better management information.	High	Medium	PPP	2007/08	Much of the new system (Trent) is now installed, although it will still be many months before the potential capacity of the new system to deliver enhanced management information is fully realised.	New system went live 1st April 2007, however work continues on several modules, including that which will supply better management information.

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date	Movement
	"Internal Requirements"						
6	To ensure that the budget setting process becomes more priority driven.	High	High	Corp Serv	Ongoing	This is an ongoing process and is achieved through the annual budget process, by directing resources to the Council's priorities. Work has commenced to set out budgets in line with priorities. The Corporate Plan 2007-2010 has been revised to include financial information regarding the priorities.	Progressing well - work continues to provide more detailed analysis.
7	To review outsourcing as part of our Efficiency Review.	Medium	High	PPP	2007/08	This is part of the "shared services" agenda picked up through ACE. There should not be a presumption to outsource.	Ongoing.
8	The strategic direction is set by Council, Implemented by the Executive and progress monitored by Overview and Scrutiny and the Council .	High	High	PPP	2007/08	The performance management framework will better enable monitoring of progress against key priorities. The BVPP will set the strategic agenda for 2006/07. Sustainable Community Strategy for Carlisle to be produced through LSP and will inform Council's own Corporate plan to be published next year.	Corporate Plan and Community Plan under development to be in place April and June 07
	Risk Management and Internal Control						
9	To implement fully the SIC process and clarify the role of Risk Management Group in process.	High	Medium	Corp Serv	Ongoing	The SIC Action Plan is reported to Members on a quarterly basis.	Progressing well. This Action Plan will be incorporated into the Annual Governance Statement in due course.
10	To include in the annual report a summary of strategic risks and how we are managing them.	Medium	Medium	PPP	Ongoing	This will be included in the Best Value Performance Plan (BVPP). Done for 2005/06 in the BVPP 2006/07. Council's web pages updated so information more transparent and accessible.	Ongoing

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date	Movement
11	External Relationships To progress Neighbourhood Forum. To progress Democratic Engagement and Supporting People BV Review Action Plans. To improve Overview and Scrutiny Contribution. Focused work with minority groups needed.	Medium	Medium	Comm Serv ppp	Ongoing	Joint Neighbourhood Forums have been started this Municipal Year. The Director of Community Services has reviewed this area - he has written to all Business Unit Heads asking for feedback on progress. The review is currently on hold pending further discussions with the County and determining the most effective methods of addressing the challenges set out in the Government White Paper for community engagement. A service review for community support has also commenced which will have some impact on this specific area.	Implications of White Paper to be assessed
12	To develop clear communications strategy post City-Vision mid-term review. To develop Partnership framework.	High	High	Chief Exec and PPP	Ongoing	Carlisle LSP is underway. Executive and priority groups formed to oversee community planning process. LSP Manager appointed. Funding secured from Neighbourhood Renewal Unit to support its development in these early stages.	Still in formative stages; Community Plan underway; LAA agreed.
13	To clarify 'joint projects' with LSP to clarify respective lead responsibilities.	High	High	Chief Exec	Ongoing	This will follow the establishment of the LSP. The "joint" projects can only be developed once the LSP Executive and full partnership begin to meet and work together on the key priorities which will be part of the Carlisle Community Plan	Formative stages

