



## **OVERVIEW & SCRUTINY – CORPORATE RESOURCES**

### **Public**

**Date of Meeting:** 6<sup>th</sup> April 2006

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

**Report of:** Director of Corporate Services

**Report reference:** Financial Memo FS2/06

### **Summary:**

This report appraises Members of the progress made on the action plans relating to the Statement on Internal Control and the Code of Corporate Governance.

### **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 which formed part of the Authority's Statement of Accounts for 2004/05 was presented to Council on 19<sup>th</sup> July 2005. A number of "issues" were identified, which were summarised into an Action Plan which formed part of the SIC. The SIC is reviewed on a quarterly basis by SMT and any new or emerging control risks are highlighted. The last review was considered by members of Corporate Resources Overview and Scrutiny Committee on 19<sup>th</sup> January 2006.

1.4 The Action Plan is attached to this report at **Appendix A**. No new issues have been identified for this update.

### **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.

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 The framework document identified 5 "Dimensions" which were defined as :-

- Dimension 1 - Community Focus
- Dimension 2 - Service Delivery Arrangements
- Dimension 3 - Structures and Processes
- Dimension 4 - Risk Management and Internal Control
- Dimension 5 - Standards of Conduct

2.6 It was noted, however, that there was considerable duplication of "themes" throughout this document – for example, Service Standards and performance management were both mentioned in Dimensions 1 and 2.

2.7 It was therefore decided to regroup the elements of each Dimension into the following areas :-

- Service Standards
- Performance Management
- Internal Requirements
- Risk Management and Internal Control
- External Relationships

2.8 The Code of Corporate Governance Action Plan is reviewed on a quarterly basis by the SMT and any new or emerging issues are highlighted. The Action Plan is attached at **Appendix B**.

2.9 For ease of reference, changes to the previous Action Plans are highlighted in bold.

### 3 - Recommendation

3.1 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 2006

**Statement on Internal Control - Action Plan**  
**Updated 27th March 2006**

**Appen**

<b>Ref</b>	<b>Action</b>	<b>Priority</b>	<b>Risk</b>	<b>Owner</b>	<b>Deadline</b>	<b>Progress To Date</b>
1	Formal approval of a "Code of Corporate Governance" is in course of development - its production is being co-ordinated by the Senior Mangement Team.	High	High	Corp	May-06	The Code of Corporate Governance will be incorporated into the Constitution when next updated (May 2006).
2	Further analysis and management of Corporate and Business Risk is needed to ensure that corporate risk is addressed and that Risk Registers and Business Continuity Plans are complete and maintained on an ongoing basis. This work is being co-ordinated by the Risk Management Group which is chaired by the Deputy Chief Executive.	High	High	PPP	Apr-06	Ongoing - the Corporate Risk Register has been revised and updated and training workshops were held for the Corporate Management Group, and for CMT, in September. Operational Risk Register: have also now been updated. The Port Holder now sits on the Corporate Risk Management Group, and CROS will receive quarterly reports relating to the operation of the Risk Registers
3	Head of Member Support and Employee Services (MSES) to ensure that Job Descriptions are updated for all staff in each Business Unit, in preparation for Job Evaluation, and the restructuring exercise which will take place during 2005/06.	High	High	PPP	Sept. 06	Ongoing - Directors have been asked to ensure that Job Descriptions are addressed and up to date - to be addressed as part of the 2006 appraisal process.

4	Formal consideration of an Audit Committee is being given by the Director of Legal and Democratic Services and the Director of Corporate Services.	Medium	Medium	LDS and Corp	May-06	On 7th March 2006 the Council approved principle, the setting up of an Audit Committee authorising Terms of Reference to be drawn up for approval and implementation commencing from the Annual Council on 22nd May 2006.
5	Review of Performance Management framework is being co-ordinated by the Deputy Chief Executive.	High	High	PPP and Corp	Complete	
6	Review effectiveness of Corporate Procurement Policy. The responsibility for procurement is being transferred to the Corporate Services Directorate and progress will be reviewed shortly.	High	High	Corp	Jun-06	A report will be sent to Corporate Resc Overview and Scrutiny Committee in A 2006 to update Members.
7	Development and procedural documentation of the Financial Information System will be co-ordinated by the Head of Financial Services	High	Medium	Corp	Ongoing	This work will be progressed as part of additional resources recruited to help with the improvements required in financial reporting.
8	This Authority has no system of Control Risk Self Assessment in operation. This will be considered during 2006/07 and the work will be co-ordinated by the Audit Services Manager.	Medium	Medium	Corp	Sep-06	For consideration in due course. Time be required for the new structure to "be in".

9	New Bank Reconciliation System - the Director of Corporate Services is leading on this work to produce satisfactory evidence of the new system.	High	High	Corp	Ongoing	Work is still ongoing. The Audit Commission have not yet made a judgement on the 2004/05 accounts in relation to the new Financial Information System's bank reconciliation. This work continues to be given the very highest priority to resolve.
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**Code of Corporate Governance - Action Plan (27th March 2006)**

**Appendix B**

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date
	<b>Service Standards</b>					
1	To include standards in BVPPs for each area of the Council's work. To ensure consultation is based on priorities and that feedback is given to participants on the changes made to services as a result of consultation feedback. Direction of Travel identified acting on consultation as an issue.	High	High	PPP	Complete	Standards have now been set for each Directorate
2	To establish a review of Service Standards, by the involvement of the local community.	High	High	Comm Serv	Mar-06	No action has been taken yet on the development of Equality Policies, but a report will be presented to Overview and Scrutiny in due course.
3	To complete mapping all our Services across the 6 Districts and other bodies to identify areas to partner.	High	Medium	PPP	Sep-06	This work will be developed through ACE2 and also by using a suite of standard business processes (where appropriate) that are being provided by the North West Improvement Network

4	The 'Renaissance of Carlisle' master plan will identify services to be delivered with other agencies, including the voluntary sector across housing, community, welfare and business.	High	Medium	Ren	2006/07	A report was presented to the Executive at their meeting on 23rd January 2006. Progress will be monitored through the Corporate Risk Management Group.
<b>Performance Management</b>						
5	To strengthen links between performance and financial management.	High	High	Corp Serv and PPP	Sep-06	This will be progressed during 2006/07 and is a feature of the Use of Resources judgement.
6	To deliver adequate systems to support performance management by March 2006.	High	Medium	PPP	Complete	
7	To ensure that procurement of new Business System for Employment and Reward reflects needs for better management information.	High	Medium	PPP	Mar-07	The project to deliver a new system is resourced and under way. The specification for procurement of the system ensures that this requirement will be met.

8	To review, develop and communicate a clear Performance Management Framework, which enables the regular monitoring of our Business Plans by Managers, Members, Partners and Local Communities. To improve quarterly performance reporting and target setting and ensure that quarterly performance "conferences" have performance improvement action plans on priority areas as an outcome.	High	High	PPP	Complete	Each Director has produced a Service Plan and each Section also has a Section Plan.
<b>"Internal Requirements"</b>						
9	To engage Members more meaningfully in the review of the financial and operational reporting process.	High	Medium	Corp Serv and Leg/Dem	May-06	On 7th March 2006 the Council approved, in principle, the setting up of an Audit Committee authorising Terms of Reference to be drawn up for approval and implementation commencing from the Annual Council on 22nd May 2006.
10	To continue to add documents included in Publications Scheme.	Low	Medium	PPP	Complete	

11	To review both the "Direction of Travel" document (Dec 2004) and CPA Action Plan. To undergo a Corporate Inspection early 2006 and D of T in July 2006(?) to test readiness of Council for its CPA in 2007.	High	High	PPP	Jun-06	Under way through the Improvement Plan. Quotes have been obtained for a "corporate inspection".
12	To progress work of the Member Learning and Development Group.	Medium	Medium	PPP	Complete	
13	To ensure that the Executive monitor the Corporate PIs on a regular basis, before they are scrutinised by the relevant O&S Committee.	Low	Medium	PPP	Complete	
14	Job descriptions and general accountabilities to be clearer.	High	High	PPP	2006/07	Identified in SIC. (Appendix A)
15	To ensure that the budget setting process becomes more priority driven.	High	High	Corp Serv	Sep-06	This is an ongoing process and is achieved through the annual budget process, by directing resources to the Council's priorities.
16	To review outsourcing as part of our Efficiency Review.	Medium	High	PPP	2006/07	This is part of the "shared services" agenda picked up through ACE2. There should not be a presumption to outsource. Will be picked up as part of improvement reviews.
17	Member/Officer protocol being updated.	Medium	Medium	Leg/Dem	During 2006/07	We are part of a national pilot sponsored by the IdeA which reports in June and which we intend to use to focus on our Member/Officer Protocol to improve it to best practice standard. The Employees' Code of Conduct is to be prescribed by statute. Work is now being progressed, with external facilitator support, of sharing the values set out in the Draft protocol with Members and Officers.

18	The strategic direction is set by Council, Implemented by the Executive and progress monitored by Overview and Scrutiny and the Council .	High	High	PPP	2006/07	The performance management framework will better enable monitoring of progress against strategic objectives. The BVPP will set the strategic agenda for 2006/07.
19	Review Constitution and FPRs with a view to simplifying and clarifying requirements.	Medium	Medium	Leg/Dem and Corp Serv	Apr-06	The Financial Procedure Rules have now been updated by the Head of Audit Services to reflect the revised officer structure. Will go to Council as part of the overall review of the Constitution in May 2006.
	<b>Risk Management and Internal Control</b>					
20	Risk Management Control framework to be documented and implemented. To review and update Corporate and Operational Risk Registers. To link Risk to the Performance Management system.	High	High	PPP	Complete	
21	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.
22	To review usage of Risk Management Budget.	Medium	Medium	Corp Serv	Complete	Actioned as part of the 2006/07 budget process.

23	To clarify reporting and monitoring arrangements for external audit reports.	Medium	Medium	Corp Serv	May-06	As above - on 7th March 2006 the Council approved, in principle, the setting up of an Audit Committee authorising Terms of Reference to be drawn up for approval and implementation commencing from the Annual Council on 22nd May 2006.
24	To include in the annual report a summary of strategic risks and how we are managing them.	Medium	Medium	PPP	Jun-06	This will be included in the Best Value Performance Plan (BVPP)
<b>External Relationships</b>						
25	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 is currently reviewing this area - he has written to all Business Unit Heads asking for feedback on progress. Report to go to Overview and Scrutiny in May 2006
26	To develop clear communications strategy post City-Vision mid-term review. To develop Partnership framework.	High	High	Chief Exec and PPP	Ongoing	The development of the new LSP for Carlisle is progressing.
27	To clarify 'joint projects' with LSP to clarify respective lead responsibilities.	High	High	Chief Exec	2006/07	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