



AUDIT COMMITTEE

Public

Date of Meeting: 23rd January 2007

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

Report of: Director of Corporate Services

Report reference: CORP72/06

Summary:

This report appraises Members of

- The requirement for the Authority to produce Action Plans relating to the Statement on Internal Control and the Code of Corporate Governance.
- 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 which formed part of the Authority's Statement of Accounts for 2005/06 was presented to Council on 29th June 2006. A number of "issues" were identified, which were summarised into an Action Plan which formed part of the SIC. The SIC Action Plan is reviewed on a quarterly basis, initially by the Directors' Deputies and then by SMT, and any new or emerging control risks are highlighted.

1.4 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 The Code of Corporate Governance Action Plan is reviewed on a quarterly basis, initially by the Directors' Deputies and then by SMT, and any new or emerging issues are highlighted. The up-dated Action Plan is attached at **Appendix B**.

3 - 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
January 2007

Statement on Internal Control - Action Plan
Updated 12th January 2007

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date
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. See "Progress to Date" - awaiting final version of the "Good Governance in Local Government" document.	High	High	Corp	2007/08	The Code of Corporate Governance statement of its principles will be in due course, as part of the preamble to the Financial Procedure Rules. The CIPFA Working Group on Good Governance has produced a draft consultation document in June 2006 entitled "Good Governance in Local Government", which is intended to inform the development of a new governance framework "Corporate Governance in Local Government: A Keystone for Community Governance". The draft responses to the draft was 11th September 2006. Final version still awaited. The 2006/07 still refers to the requirement of the SIC, but suggests that we <u>may</u> consider producing a wider-ranging "governance statement" as long as it meets at least the requirements of the SIC. For 2007/08 it seems that the SIC and the COCG will be replaced by/combined into a single "Governance Framework".

2	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 ensuring that Job Descriptions are and up to date - to be addressed at 2006 appraisal process.
3	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 2nd August 2006. The first training session was held on "Risk" and at the meeting in January a session is to be held regarding the Toolkit for Audit Committees.

4	Ensure that the Corporate Procurement Policy is delivering the expected outcomes.	High	High	Corp	ongoing	A report was presented to Corporate Overview and Scrutiny Committee 2006 to update Members. Report FS5/06. The responsibility for procurement has transferred to the Corporate Services Directorate. A report will go to Corporate Resources Overview and Scrutiny and to the Executive in January 2007 for approval to "Shared Services procurement with other Cumbrian Public Bodies
5	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 is currently being collated for Corporate Services.
6	This Authority has no system of Control Risk Self Assessment in operation.	Medium	Medium	Corp	Mar-07	For consideration in due course. The system required for the new structure to be implemented will be considered during 2006/07 preparation for the 2007/08 Audit work will be co-ordinated by the H Services

7	Due to problems experienced with the implementation of the new bank reconciliation system, the Authority did not maintain regular bank reconciliations throughout 2004/05. Full reconciliation was achieved in December 2005.	High	High	Corp	Ongoing	Significant progress has been made now balanced on a daily basis. The format is balanced weekly and is reconciled completely for 2006/07
8	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	An Improvement Plan has been prepared to tackle the issues raised, and has been presented to, and will be monitored by the Audit Committee.
9	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	Mar-07	Discussions are taking place between Directorates as a matter of priority that these systems and processes be made efficient on the current system. It has been approved to replace the Contractor Plus system and a full business case will be produced during the year. (Target 2007)

Code of Corporate Governance - Action Plan 12th January 2007						Appendix B	
Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date	Movement
	Service Standards						
1	To establish a review of Service Standards, by the involvement of the local community.	High	High	Comm Serv	Jun-09	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.	Service Standards informed by consultation with local people; to be developed further 2007
2	To complete mapping all our Services across the 6 Districts and other bodies to identify areas to partner.	High	Medium	PPP	Ongoing	Shared services being developed through ACE2. Executive considered report on shared services protocol 12 June. Policy considered by Corporate Resources O&S Committee.	Shared services policy developed for Carlisle. Several functions under review for sharing, with Business Cases being developed for consideration

3	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 24th April 2006 where it was agreed to make a submission of an outline funding application to the NWDA in furtherance of the objectives of Carlisle Renaissance. The Executive also agreed the release of Local Government Business Growth Initiative funding in support of the NWDA funding application. A programme of projects, designed to deliver services in partnership with other agencies, was approved for funding by the NWDA in early December. The Economic Strategy is currently underway with a Final Report due to be completed in March. Progress will be monitored through the Corporate Resources Overview and Scrutiny Committee	Progress Report to CROS and Executive in January 2007.
	Performance Management						
4	To strengthen links between performance and financial management.	High	High	Corp Serv and PPP	Mar-07	This will be progressed during 2006/07 and is a feature of the Use of Resources judgement, which is due in March 2007. Considering what other Cumbrian councils do & identifying good practice. Will be further progressed during 2007/08	Some financial information included in performance
5	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.	New system procured and currently being implemented. Goes live 1 April 2007
	"Internal Requirements"						

6	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	Jan-07	Under way through the Improvement Plan. Quotes have been obtained for a "corporate inspection".	Peer Review undertaken Sept. 2006. Final Report due Jan. 07. Recommendations will be fed into Corporate Plan.
7	Job descriptions and general accountabilities to be clearer.	High	High	PPP	2006/07	Identified in SIC. (Appendix A)	Progressing well
8	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.	Progressing well
9	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. Protocol agreed by Executive Committee, 12 June 2006. Shared Service Policy considered by Executive and CROS January 2007	
10	Member/Officer protocol being updated.	Medium	Medium	Leg/Dem	During 2006/07	A Seminar on the new draft Protocol was facilitated by the IDeA on 24th July at which both Members and Officers attended. It has now been reported to the Executive and Overview and Scrutiny Committees and consulted upon through the Staff Consultative procedures and will now be placed before Council for formal adoption.	Protocol seen by Executive and now out for consultation

11	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 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						
12	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
13	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.	
	External Relationships						

14	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
15	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.
16	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	Formative stages