



AUDIT COMMITTEE

Public

Date of Meeting: 18th April 2007

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

Report of: Director of Corporate Services

Report reference: CORP 5/07

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 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 for 2006/07 will be presented to Members at the meeting in June 2007, and any further actions arising will be incorporated into the Action Plan.

1.4 On a quarterly basis, the Deputy Directors are contacted, and asked to up-date the relevant Section/s of the Action Plan. The Action Plan is then amended and any amendments are highlighted.

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

1.6 There are no additional Actions to be included on this occasion.

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. The Action Plan is then amended and any amendments are highlighted

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

2.7 There are no additional Actions to be included on this occasion

3 Future merger of SIC and COCG

3.1 As noted in the SIC Action Plan, the CIPFA/SOLACE Working Group on Good Governance issued a draft consultation document in June 2006 entitled "Good Governance in Local Government", which is intended to update the governance framework "Corporate Governance in Local Government: A Keystone for Community Governance". The final version still awaited. The SORP for 2006/07 still refers to the requirement for an SIC, but suggests that we may 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 "Good Governance Framework"

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.

N.B. As previously requested by Members, changes to the Action Plans have been highlighted in red for ease of reference.

Director of Corporate Services
April 2007

Statement on Internal Control - Action Plan 3rd April 2007

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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 Financial Procedure Rules. The CIP Working Group on Good Governance draft consultation document in June entitled "Good Governance in Local Government", which is intended to governance framework "Corporate Governance in Local Government: A Keystone for Community Governance". The deadline for responses to the draft was 11th Sep 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, 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 for ensuring that Job Descriptions are kept up to date - to be addressed as part of the 2007 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 in 2006. The first training session was held on 2nd August. The Audit Committee is now functioning and training needs will be met on an ongoing basis. A further session was held on "Risk" and at the meeting in January a session was held relating to the Toolkit for Audit Committees.
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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 in 2006 to update Members. Report ref FS5/06. The responsibility for procurement has transferred to the Corporate Services Directorate. A report was presented to Corporate Resources Overview and Committee and to the Executive in 2007 seeking approval to "Shared Procurement" with other Cumbrian 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 Services.
6	This Authority has no system of Control Risk Self Assessment (CRSA) in operation.	Medium	Medium	Corp	Complete	A report was presented to SMT on 12/2007. This outlined the advantages/disadvantages, to the Authority, of implementing a full system of CRSA. It was agreed that at present, the Authority has progressed as far as is necessary to the concept of CRSA - we have reached a satisfactory working balance between the requirement for managers to be seen as having "ownership" of their systems and controls, yet maintaining also the control and requirement for, an independent audit thereof by Audit 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	Complete	Significant progress has been made now balanced on a daily basis. The format is balanced weekly and is not 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. This tackles the issues raised, and is 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	2007/08	Discussions are taking place between Directorates as a matter of priority that these systems and processes are efficient on the current system. A decision has been approved to replace the Contractor Plus system. A procurement process for replacement system is currently underway. Tenders have been returned from potential suppliers and a contract award is in progress.

Code of Corporate Governance - Action Plan 3rd April 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. 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.	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 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

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	Ongoing	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 06. 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	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. Action Plan in place (to be considered by CROS 12th April) to further strengthen links between performance and financial management.	The inclusion of financial information included in performance reports is being developed, however decision making in addressing poor performance/ high cost needs further consideration
5	To ensure that procurement of new Business System for Employment and Reward reflects needs for better management information.	High	Medium	PPP	2007/08	The new system (Trent) is currently running in parallel with the existing system and will go live on a "stand-alone" basis on 13th April 2007. It will still be several months before the potential capacity of the new system to deliver enhanced management information is fully realised.	New system went live 1st April - currently parallel running.
	"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	Complete	Peer Review undertaken.	Peer Review undertaken Sept. 2006. Recommendations will be fed into Corporate Plan. Action complete.
7	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. Draft report went to SMT 27th March 2007. This will also go to SPG on 3rd April. This information , once agreed will be included in the Corporate Plan 2007 after full consultation with Members	Progressing well
8	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. Progress on Improvement Reviews is dependent on the outcome of the "Unitary Debate" in Cumbria.	Ongoing - depending on "Unitary" outcome.
9	Member/Officer protocol being updated.	Medium	Medium	Leg/Dem	Complete	A new "Member/Officer Relationship" Protocol has now been adopted.	Complete.

10	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						
11	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
12	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
	External Relationships						

13	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
14	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.
15	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