



AUDIT COMMITTEE

Public

Date of Meeting: 25th September 2006

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

Report of: Director of Corporate Services

Report reference: Financial Memo FS41/06

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 by SMT and any new or emerging control risks are highlighted.

1.4 The 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 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**.

3 Good Governance in Local Government/COCG

3.1 CIPFA, in association with the Society of Local Authorities' Chief Executives (SOLACE) and with support from key local government organisations, has established a working group to update the governance framework "*Corporate Governance in Local Government: A Keystone for Community Governance*".

3.2 A draft consultation document was issued in June 2006 – the deadline for responses was 11th September 2006.

3.3 The proposals, if implemented, will have the following effect:-

For 2005/06, the Authority has produced the required "Statement on Internal Control" (SIC).

For 2006/07, the Statement of Recommended Practice (SORP) still refers to the requirement to produce an SIC, but suggests that the Authority may consider producing a wider-ranging "Governance

Statement", as long as it meets at least the minimum requirements of the SIC.

For 2007/08, it is proposed that the SIC and the COCG will be replaced by, or combined into, a single "Good Governance Framework".

- 3.4 Members will be appraised of the out-come of the consultation, and the effect that the proposed changes will have on this Authority, in due course.

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
September 2006

Statement on Internal Control - Action Plan
Updated 15th September 2006

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. This has been overtaken by events - the 6100/07 ranging "governance statement" already meets at least the requirements of 2007/08, it seems that the SIC and will be replaced by/combined into "Good Governance Framework".

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	Medium	PPP	Ongoing	The Corporate Risk Register has been updated and training workshops for the Corporate Risk Manager for CMT, in September 2005. Services responsible for ensuring that, on a regular basis, Operational Risk Registers are updated. The Portfolio Holder now sits on the Risk Management Group. The Auditor will receive quarterly reports relating to the operation of the Risk Registers
3	Job Descriptions are to be updated for all staff in each Directorate, in preparation for Job Evaluation.	High	High	PPP	01-Sep-06	Ongoing - Directors are responsible for ensuring that Job Descriptions are addressed as part of the Job Evaluation process.
4	Ensure that adequate training and support are available for the new Audit Committee	High	High	LDS and Corp	Sep-06	The Audit Committee was set up in September 2006. The first training session was held in August.
5	Ensure that the Corporate Procurement Policy is delivering the expected outcomes.	High	High	Corp	Sep-06	A report was presented to the Corporate Governance and Scrutiny Committee in September 2006 to update Members. Report FS5/06. The responsibility for procurement has been transferred to the Corporate Services Directorate and progress will be reported shortly. Resources required to procure the initiative are still under negotiation

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	Jun-06	This work will be progressed as part of the 2005/06 Final Accounts preparation
7	This Authority has no system of Control Risk Self Assessment in operation.	Medium	Medium	Corp	Mar-07	For consideration in due course. It will be required for the new structure to "will be considered during 2006/07 preparation for the 2007/08 Audit work will be co-ordinated by the H Services
8	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	Work is still ongoing as a matter of The Audit Commission's judgement. The 2004/05 accounts in relation to the reconciliation has now been received. They are not proposing to qualify the accounts in this respect. They have, however, raised a potential qualification issue for 2006/07.
9	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	Sep-06	A full Action Plan was agreed by Council in April 2006 and this is being progressed.

10	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 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)
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Code of Corporate Governance - Action Plan 15th September 2006**Appendix B**

Ref	Action	Priority	Risk	Owner	Deadline	Progress To Date
	Service Standards					
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	More robust standards have been set in line with the new Directorates for publication in the Best Value Performance Plan, 2006/07 to be published on 30 June. Consultation feedback monitored by Policy & Performance officer - corporate policy.
2	To establish a review of Service Standards, by the involvement of the local community.	High	High	Comm Serv		Refer to comment on service standards above. 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.
3	To complete mapping all our Services across the 6 Districts and other bodies to identify areas to partner.	High	Medium	PPP	Sep-06	Shared services being developed through ACE2. Executive considered report on shared services protocol 12 June. Policy to be developed by Corporate Resources O&S Committee.

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 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, has been presented to the NWDA. Progress will be monitored through the Corporate Risk Management Group.
	Performance Management					
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. Considering what other Cumbrian councils do & identifying good practice.
6	To deliver adequate systems to support performance management by March 2006.	High	Medium	PPP	Complete	Performance management framework strengthened to support key priorities & decision making about allocation of resources. Monthly reporting to SMT and exception reporting to Members, July 2006
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. Refer to No. 6. More stretching targets set for this year for publication in the BVPP 2006/07. Better use of socio-economic data being developed following recruitment of Policy and Performance Officer; includes production of ward profiles and using and interpreting data as part of member development programme. Performance framework will be built into LSP Community Planning process so partners and local communities may monitor progress of the partnership of which the City Council is a lead member.
	"Internal Requirements"					
9	To continue to add documents included in Publications Scheme.	Low	Medium	PPP	Complete	This is up to date and ongoing.
10	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".

11	To progress work of the Member Learning and Development Group.	Medium	Medium	PPP	Complete	Cross-party Member Learning & Development Group now meets quarterly to oversee Member development. Peer review booked for September through IDEA. Corporate improvement plan now being updated in line with key lines of enquiries for CPA inspections for districts, 2006 onwards.
12	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	This is by exception reporting to ensure focus on areas that are underperforming. Format of reports improved following identification of good practice.
13	Job descriptions and general accountabilities to be clearer.	High	High	PPP	2006/07	Identified in SIC. (Appendix A)
14	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.
15	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.
16	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. The matter will now be raised at the Member Learning and Development Group shortly and then the draft will be processed through the Executive and Overview and Scrutiny for consideration and, if approved, adopted by full Council as part of the Constitution.

17	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.
18	Review Constitution and FPRs with a view to simplifying and clarifying requirements.	Medium	Medium	Leg/Dem and Corp Serv	Complete	The Financial Procedure Rules have now been updated and reported to the Audit Committee on 21st June 2006, prior to submission to the Council. After review of the Contract Procedure Rules, a decision was taken not to amend the current limits for tendering. The Constitution has been amended to reflect the changes following the reorganisation and the new Leader's Scheme of Delegation.
	Risk Management and Internal Control					
19	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	Corporate risk management group meets quarterly to assess and monitor corporate risks. Includes portfolio holder for finance and performance management.
20	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.

21	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). Done for 2005/06 in the BVPP 2006/07. Council's web pages updated so information more transparent and accessible.
	External Relationships					
22	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
23	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.
24	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