



AUDIT COMMITTEE REPORT

Report Title	Governance Action Plan – Progress Update
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 16th January 2017

Policy Document: No

Directorate: Chief Executive, Borough Secretary
and Chief Finance Officer

Accountable Cabinet Member: Leader of the Council

1. Purpose

To provide Audit Committee with an update on actions taken to date to implement the Governance Action Plan considered by Audit Committee at its meeting on 5th December 2016 and any broader governance issues arising.

2. Recommendations

Audit Committee is recommended to:

- 2.1 Note the progress against the Governance Action Plan.
- 2.2 Consider the actions taken to date and to provide guidance to Officers on any area's of the Governance Action Plan they would require further action or prioritisation.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At the time of publication of this report, just a month had passed since this Committee endorsed the Governance Action Plan, or 20 working days. Officers and Members have been working hard on implementing the Plan, including setting up key capacities and Boards, developing and implementing new processes and policies. The Plan has been discussed with all senior managers and at a session for all managers in the Council. There is strong

commitment from members and officers to create the stronger governance arrangements set out in the Plan and, whilst some actions necessarily take more time to deliver, there is clear momentum behind the Plan and bringing it into practice.

- 3.1.2 The Governance Action Plan considered by Audit Committee on 5th December contained a number of short term, medium term and long term actions. Officers are focussed on implementing the Governance Action Plan to protect the Council going forwards. The Governance Action Plan presented to the last Committee is attached at **Appendix 1**.
- 3.1.3 This report provides an update to Audit Committee on actions to date against the Governance Action Plan.

3.2 Issues

- 3.2.1 The new broad governance architecture and arrangements outlined to Audit Committee on 5th December 2016 are operational and are shown diagrammatically at **Appendix 2**. The following section outlines progress to date in establishing this structure.

Executive Programme Board

- 3.2.2 The Executive Programme Board has been set up and commenced its work. By the date of this meeting the Board will have met 4 times. The Board provides the top level point at which the Member and Officer executives meet and co-ordinate the Executive's preparation for making decisions and accounting for these to the Council and its Committees. It also monitors the actions of officers and members in delivering against decisions made and monitors the budget and performance. It does not, as a body, have decision-making authority.

Cabinet Processes

- 3.2.3 A new process for the preparation and approval of Cabinet papers has been implemented and is further referred to below. This includes closer and more collective consideration of Executive Decision Notices, draft Cabinet Reports, and the potential implications and risks of draft recommendations before presentation to Cabinet.
- 3.2.4 A more forward looking Forward Plan for Cabinet is to be produced and it is intended that the first of these will appear in February.

Corporate Governance and Support Officer Programme Board

- 3.2.5 This Board's role is to drive the actions arising from the Governance Action Plan specifically and to consider broader governance issues requiring consideration and action. This Board has now met 4 times, has agreed terms of Reference and currently meets weekly. The group is Chaired by the Borough Secretary and reports to Management Board. There is representation on the group from the Chief Finance Officer and has other senior

memberships across the Directorates. This Board has considered a number of governance priorities outlined below.

Risk Management – Priority 1

- 3.2.6 The Council commissioned PwC to undertake a full review of the Council's Risk Management Policy and framework, to identify any changes and to advise the Council on best practice, bearing in mind the specific issues identified in their internal report on Sixfields. The work has now been completed and a draft Risk Management Policy and Strategy has been drafted and presented to Management Board for initial consideration. The Policy and Strategy emphasises the need for Risk Management to be driven from the top of the organisation together with the development of a risk culture in the way the Council goes about doing its business. This Policy and Strategy will be critically evaluated and adopted by Management Board, following which the Policy and Strategy will be formally approved through the Council's normal Governance processes. A copy of the draft policy is attached at **Appendix 3**
- 3.2.7 An important aspect of the Risk Strategy and Policy is the embedding process which will be supported by targeted training of officers across the Council, at different levels and members. There will also be effective monitoring of Risk through the New Governance processes.

Due Diligence – Priority 2

- 3.2.8 As reported to Audit Committee at its meeting on 5th December 2016, all uncommitted loans or similar facilities have been held pending a full due diligence review and that remains the case at the date of writing this report. A due diligence checklist has been developed, is operational and will be used in all relevant transactions, pending the completion of a due diligence manual which is currently a work in progress. The requirement for external advice in specialist areas will be complied with.

Project and Programme Support – Priority 3

- 3.2.9 The Council is in the process of transferring back Project and Programme Support from LGSS. Whilst it was hoped that this would be completed by the beginning of January 2017, certain legal formalities have meant that the Council has been unable to implement the transfer within the expected time-frames. However, it is anticipated that this will be concluded sometime in January 2017 and every effort is being made to expedite this.
- 3.2.10 Regarding the new Governance and Risk Manger Post, PwC as part of their commission (see 3.2.1 above), have advised the Council on the role specification, the detail of which is being actively considered by the Statutory Officers. The Council will go out to advert as soon as the Job Specification is finalised. Audit Committee will be updated on progress at its next meeting.

Priority 4 - ISA 260

- 3.2.11 This meeting of the Audit Committee will consider a separate report on progress in this area, against its own specification plan.

Priority 5 – Internal Audit Recommendations

3.2.12 A review of all audit recommendations from 2013 to now has been completed. The recommendations and progress against these are now on TRaction, a specialist monitoring tool developed by PwC. Regular reporting of performance against audit recommendations will be part of the council's normal governance processes, including reporting to Audit Committee.

Priority 6- Effective Decisions- Cabinet Clearance

3.2.13 The internal Cabinet clearance process has been overhauled as described earlier. Cabinet clearance process has been incorporated into the wider Governance changes. There is now an emphasis on early forward planning and consideration of reports by various governance bodies at the formative stage.

Priority 7- Governance

3.2.14 This priority focusses on compliance with the CIPFA/Solace, Good Governance Standard (2016). The key to providing the Audit Committee with an assurance that Council processes are robust is to attain external validation of compliance against the standard. Officers have been in discussions with CIPFA about the support that organisation can give the Council in terms of identifying where it is now on its Governance journey and to provide a gap analysis against which further actions can be targeted with a view to external validation against the standard. One Officer from CIPFA was scheduled to attend the Officer, Corporate Governance and Support Board on 3rd January 2017 to discuss the above. However he was unable to attend because he was unwell. The meeting will be rescheduled early in the New Year and Audit Committee will be updated on progress at its next meeting.

Priority 8- Financial Governance

3.2.15 This priority focusses on the improvement to and compliance with good financial governance standards and financial standing orders and regulations across the Council. As reported to Audit Committee at the meeting on 5th December 2016 there had been significant progress made in implementing this priority. Since the last meeting there has been further progress made including:

- Purchase Order Process – continued implementation of improvements in line with the actions set out in the ISA260 Recommendation Update report elsewhere on the Audit Committee agenda.
- Reserve drawdown and supplementary estimate process – the improvements to the process have been implemented and the focus is now on ensuring compliance.
- Virement process – the review has been completed and the focus is now on implementing the improvements.

- Capital programme management – the gateway approach to managing capital schemes has been reflected in the draft budget approved by Cabinet for consultation on 14th December 2016. Work is continuing to refine the process to ensure it is fit for purpose and will be proposed as part of the final budget decisions in February 2017.
- Raising financial awareness – discussion have taken place to consider the best approach to deliver this improvement. It was concluded this would form part of the ‘Licence to Practice’, an update for which is given at paragraph 3.2.11 below.

Priority 9- Whistleblowing and Miscellaneous

3.2.16 The Governance Action Plan includes the need to have effective whistleblowing arrangements.

3.2.17 Whistleblowing refers to the act of reporting or exposing wrongdoing either internally, within the organisation, or externally, for example to a regulator. Whistleblowing is an important aspect of good governance within organisations. Maintaining an effective Whistleblowing Policy contributes to an organisational environment where the prevention of malpractice is encouraged and where its detection is promoted, all to the overall benefit of the organisation.

3.2.18 The Council has a Whistleblowing Policy in place as part of its overall Anti-Fraud and Corruption Policy and Strategy, which is now due for a full review.

3.2.19 The Standards Committee is a key ethical governance Committee for the Council and will therefore be involved in the monitoring and review of the Council’s Whistleblowing Policy and Procedures. The Standards Committee considered a report on the Whistleblowing Policy at its meeting on 19th December 2016.

3.2.20 The Standards Committee has set up a Working Group of Standards Committee Members and the Monitoring Officer to develop a Work Plan for the Committee. It is anticipated that this Work Plan will include a number of good governance aspects including a refresh of the Council’s Whistleblowing Policy and Procedures, a consideration and review of the type and way member and Officer Interests are declared and monitored by the Committee and a training for members and Officers on ethical governance issues.

3.2.21 The Audit Committee asked for details of the “Licence to Practice” compliance proposal outlined in the presentation of the Governance Plan to the Audit Committee. Key aspects of the mandatory training will be on Risk; Project and Programme Management, Financial Regulations, Due Diligence and Compliance. Given the intervening public holidays during the festive period it has proved impossible to contact external providers to discuss training packages to supplement internal training. Officers have therefore not yet been able to develop a plan outlining the internal/external support mix of training required and to be provided in the key areas. A report will be brought to the next meeting of this Audit Committee.

Efficiency/MTFS Officer Programme Board

3.2.22 The Efficiency and MTFS Programme Board, led by the Director of Customers and Communities, has held its first meeting and is developing its scope and terms of reference.

4. Implications (including financial implications)

4.1 Policy

4.1.1 This report does not of itself change policy. However the actions arising from the implementation of the Governance Action Plan will have policy implications.

4.2 Resources and Risk

4.2.1 None specifically arising from this report. However many of the actions arising from the Governance Action Plan will have financial implications and will be considered on an item to item basis.

4.3 Legal

4.3.1 None specifically from this report, although many of the changes will have specify legal implications which will be considered on an item to item basis.

4.4 Equality

4.4.1 None specifically. However the actions outlined in the Governance Action Plan will be supported by appropriate Equality/Community Impact assessments.

4.5 Consultees (Internal and External)

4.5.1 There has been no separate consultation on this report

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 Internal Files on Governance Action Plan maintained by the Borough Secretary

David Kennedy, Chief Executive
Francis Fernandes, Borough Secretary
Glenn Hammons, Chief Finance Officer

