

## **Audit Committee**



**06 June 2008**

**Issues for inclusion within the 2007/08  
Annual Governance Statement**

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## **Report of the Head of Internal Audit and Risk Management**

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### **Purpose of the Report**

1. The purpose of this report is to bring to Members attention the issues identified for inclusion within this year's Annual Governance Statement (AGS), which is to be presented to the Council, as part of the Statement of Accounts, at its meeting on 26 June 2008.

### **Background**

2. The AGS, which is produced, as its title suggests, on an annual basis provides an opinion on whether the Council's internal control environment and corporate governance framework accord with proper practice and are working effectively.

### **Methodology**

3. The issues identified as a result of the officer governance questionnaire and interviews (see Appendices 3 and 4) for potential inclusion within this year's AGS are to be considered at a meeting of the Corporate Risk Management Group (CRMG) on 03 June 2008, together with a summary of progress made in relation to the 2006/07 Governance Action Plan (see Appendix 2 for a summary of the issues being considered). The issues which are, in part, historic in nature have emerged from an extensive review by Internal Audit whose work consisted of evaluating;
  - progress made in addressing those issues contained within the 2006/07 governance action plan combined with evidence obtained from audit work carried out throughout the year (Appendix 2);
  - results of a governance questionnaire issued by Internal Audit to Members and officers (Appendix 3, issues highlighted for information);
  - evidence obtained from interviewing a selection of Service Management Team representatives (Appendix 4).
4. The AGS, which is in the process of being finalised will be circulated to Members for final consideration, at the Audit Committee's subsequent meeting on 25 June 2008.

**Recommendation**

5. It is recommended that Members note the potential issues for inclusion within the 2007/08 AGS as set out within Appendices 2 - 4.

**Background Papers** - Audit Files & Working Papers

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**Contact: Keith Thompson, Head of Internal Audit and Risk Management**  
**Tel: 0191 3833537**

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**Appendix 1: Implications**

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**Local Government Reorganisation**

*(Does the decision impact upon a future Unitary Council?)*

No

***Finance***

None

***Staffing***

None

***Equality and Diversity***

None

***Accommodation***

None

***Crime and disorder***

None

***Sustainability***

None

***Human rights***

None

***Localities and Rurality***

None

***Young people***

None

***Consultation***

None

***Health***

None

## **Appendix 2: Governance Action Plan Summary**

Set out below is a summary of the issues contained within the 2006/07 Governance Action Plan.

1. Human Resource issues;
  - Sickness absence
  - Capacity and capability
  - Recruitment and retention
  - Single Status implementation
2. Partnership issues;
  - Integrating strategic partnering/LAA governance framework
  - Duplication/VFM
3. Business continuity and disaster contingency arrangements
4. Continuous improvement issues;
  - CPA to CAA implications
  - Developing the performance management framework
  - Improved project management, e.g. use of a common methodology, Gateway process
  - Quality assurance
5. Ethical Governance issues;
  - Impact on Officer/Member Codes
6. Impact of Political change
7. System change issues;
  - The implementation of Oracle through the DRIVE project
8. Embedding risk management
9. Pension Fund management changes
  - Transitional risks

## Appendix 3: Officer Corporate Governance Questionnaire Response Summary

Question	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37
SD	0	0	0	0	0	0	1	0	0	1	0	1	0	0	0	0	1	0	0	1	0	2	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0
D	0	0	2	5	1	0	2	2	1	9	0	1	2	4	2	4	2	4	2	0	1	2	1	1	0	1	0	0	7	1	0	0	0	0	0	0	0
N	1	7	12	7	1	3	10	11	8	4	3	15	5	12	6	5	17	6	7	9	6	8	3	10	2	6	5	10	8	7	0	16	7	9	2	0	3
A	17	20	15	15	18	21	16	14	17	14	15	11	18	15	19	19	10	16	21	15	20	17	21	18	19	21	20	17	14	17	14	14	19	20	27	14	24
SA	14	5	3	5	12	8	3	5	6	4	14	4	7	1	5	4	2	6	2	7	5	3	7	3	11	4	7	5	2	6	18	2	6	3	3	18	4
Score	1.41	0.94	0.59	0.63	1.28	1.16	0.56	0.69	0.88	0.34	1.34	0.50	0.94	0.41	0.84	0.72	0.31	0.75	0.72	0.84	0.91	0.53	1.06	0.72	1.28	0.88	1.06	0.84	0.28	0.81	1.56	0.56	0.97	0.81	1.03	1.56	1.03

Key	Score				
SD = Strongly Disagree	-2	A = Agree	1	Questionnaires issued	61
D = Disagree	-1	SA = Strongly Agree	2	Responses received	32
N = Neither agree nor disagree	0			Response rate	52%

### Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

1. You are clear about what the Authority is trying to achieve.
2. The Authority is achieving its intended outcomes.
3. The Authority effectively communicates its vision to the community.
4. You receive regular and comprehensive information on users' views of quality.
5. Appropriate performance indicators exist for your area of service responsibility.
6. Realistic targets have been set in connection with the performance indicators.

### Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles

7. Our approach to each of the authority's main functions is clearly set out and understood by all of the authority members and the leader and senior cabinet members.
8. Governance arrangements are clearly understood.
9. Key policies and procedures are updated where applicable to reflect changing circumstances.
10. Staff are made aware, where appropriate, of all aspects of the Council's Constitution.

### Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

11. Your behaviour strengthens the Authority's aims and values.
12. The standards committee takes the lead in ensuring high standards of conduct, which are firmly embedded within the local culture.
13. Staff are aware of the values expected of them to be demonstrated in their behaviour and actions.

### Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

14. Meetings are productive and effective.
15. The information that you have on costs and performance helps you to make rigorous decisions about improving value for money.
16. You understand how the value the Authority provides compares with that of similar organisations.
17. The Authority explains the reasons for its decisions to all those who might be affected by them.
18. Decision-making processes are properly adhered to.
19. The Authority's risk management system is effective.
20. The scrutiny function is adequately resourced.
21. The outcome of constructive scrutiny is taken into account.
22. An approved project management methodology, e.g. PRINCE2, is used in support of projects.
23. Projects in your Service are appropriately managed.

### Good governance means developing the capacity and capability of members and officers to be effective

24. Members and officers have the skills necessary to do their jobs.
25. There is a clear link between Council objectives and Service objectives.
26. Services have the capacity to meet their objectives.
27. Services have met key objectives.
28. Significant partnership working arrangements have been consolidated into formal frameworks.
29. Services are able to recruit and retain staff in all disciplines.
30. Service structures and resources are focussed and aligned towards priority areas.

### Good governance means engaging with local people and other stakeholders to ensure robust public accountability

31. It is clear who you are accountable to and for what.
32. The Community Engagement Strategy provides an effective framework for consulting the views of the public and service users.
33. The Authority has identified the institutional stakeholders that it needs to have good relationships with.
34. The Authority makes public the results of its reviews and its plans for future improvements.
35. The Authority invites feedback from stakeholders and service users.
36. There are clear accountability lines and arrangements in place in your Service area.

### Summary

37. In overall terms, the Authority has strong corporate governance arrangements.

#### Appendix 4: Officer Interview Response Summary

Observation	Associated Risk	Priority	No.	Recommendation	Management Comment	Resp/Review Date
<p>LGR: Potential implications on staffing in terms of recruitment and retention which is also linked to capacity to deliver Services across a number of workstream areas in the run up to the creation of the new Authority.</p>						
<p>Governance Framework: Development of a new, dedicated Corporate Group to replace CRMG in line with developing best practice for considering and developing the Council's governance framework.</p>						
<p>Pension Fund: Strengthening Governance arrangements by confirming Custodian Monitoring Service appointments, reviewing provision of Global Custodian and Pension Fund Adviser contracts and through the updating of certain policies.</p>						