

Report of	Meeting	Date
Director of Finance Head of Customer, Democratic and Office Support Services	Annual Council	16/05/06

MEMBER AND OFFICER RESPONSIBILITIES FOR CORPORATE GOVERNANCE AND ASSURANCE

PURPOSES OF REPORT

- To evaluate the effectiveness of the Council's existing member and officer structures and reporting arrangements on corporate governance and assurance matters and to seek formal adoption of several recommendations to address key weaknesses in the current arrangements.
- These proposals include revising the terms of reference for the Audit Committee and Overview & Scrutiny Committee / Panels and aligning them to eliminate a degree of confusion and overlap of purpose which currently exists.
- The proposals also include the establishment of two new Overview & Scrutiny Panels based on the service area responsibilities of the two new Executive Directors, namely "Corporate & Customer" and "Environment & Community".

CORPORATE PRIORITIES

- This report does not relate to any specific corporate priorities.

RISK ISSUES

- The issues raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	3	Information	3
Reputation	3	Regulatory/Legal	3
Financial	3	Operational	
People		Other	

- Effective management and monitoring arrangements for governance is key to the effective management of the Council as a whole and is now of central importance in CPA terms. **New CIPFA Guidance states that the Audit Committee has a key role to play by independently evaluating the Council's corporate governance, performance and risk management arrangements.**

BACKGROUND

7. Corporate governance is the product of the interlocking systems and processes through which an organisation manages and directs itself to determine and deliver its objectives. Although as the phrase implies this includes issues of probity and ethics the impact is much wider and CIPFA and SOLACE in their joint publication "Corporate Governance in Local Government – A Framework for Community Governance" point to five dimensions:
- Community Focus
 - Service Delivery Arrangements
 - Structures and Processes
 - Risk Management and Internal Control
 - Standards of Conduct
8. **The above contain concepts similar to the CPA process and as such corporate governance is essentially about managing and monitoring the Council's overall performance.**
9. A vital element of the Council's governance framework is the external and internal evaluation / assurance mechanism that is in place to support the Council's ongoing management and monitoring of its governance arrangements: This includes:

External

- CPA / Direction of Travel inspection
- Use of Resources / VFM assessment
- Other key Audit Commission reports
- Other Inspectorates (eg HSE)

Internal

- Statement on Internal Control (SIC)
- Strategic Risk Register
- Internal Audit reports

10. **It is essential that all the governance and performance issues raised through these assurance vehicles are centrally captured, sorted, rationalised and prioritised for action, supported by systematic tracking, reporting and monitoring at officer and member levels. However, no clear framework currently exists to enable this to happen. There are a number of structural / responsibility issues in situ which need to be addressed in order for the Council to effectively manage the governance and assurance process.**

CURRENT OFFICER RESPONSIBILITIES

11. There is no co-ordinated officer level oversight of compliance with best governance practice. The Risk Management Board was established in 2001 under the chairmanship of the Group Director but it has, by definition had a restricted role in overall governance terms. (No further meetings of the Risk Management Board have been scheduled on the basis that risk management issues should in future be considered in the context of the wider governance agenda).

12. A Corporate Governance Group was established under the chairmanship of the Director of Legal Services to oversee the production of the 2005 SIC, however this Group has no formal ongoing terms of reference or regular meetings. There has been no monitoring of action to address the control issues raised in the 2005/6 SIC and the Group has had no input to the recent Use of Resources & VFM assessments. Indeed many of the control issues identified in the 2005/6 SIC process were subsequently raised as control weaknesses by the Audit Commission in their Use of Resources assessment.

CURRENT MEMBER RESPONSIBILITIES

13. **Although the Council does have a member champion for risk management, no committee of the Council is currently responsible for governance, risk management and assurance. Under new CIPFA Guidance, the Audit Committee should assume this responsibility and be constituted independently of the Executive and Overview and Scrutiny functions.**
14. A separate report and action plan to comply with the new CIPFA Guidance, incorporating a revised composition and terms of reference for the Audit Committee has already been considered by the Audit Committee itself (Appendix 1). Discussions are ongoing with the Audit Commission to deal with the practical difficulties of establishing an Audit Committee that is entirely independent of the Overview & Scrutiny function.
15. **A key provision of the new CIPFA Guidance is that the respective roles and responsibilities of the Audit and O&S Committees should be made clear. The terms of reference and work programmes of the Council's Audit and O&S Committees have not been properly aligned, thereby creating a degree of ambiguity and confusion.** For example some review topics appeared on both the Internal Audit and Overview & Scrutiny review / work programmes during 2005 (Refuse Collection / Recycling and Parkwise).

PROPOSED FRAMEWORK

16. **An officer level monitoring and tracking mechanism for governance and assurance matters needs to be established. Strategy Group have agreed that the Corporate Governance Group should fulfil this role** and be established on a more formal footing with a formally approved terms of reference (still to be drafted).
17. **The Strategy Group should in turn report to the Audit Committee on matters of governance and assurance, which should in turn be re-constituted to comply fully with the new CIPFA Guidance on best practice.** This includes the adoption of the new model terms of reference for Audit Committees (Appendix 1) to incorporate strategic performance, governance, risk management and controls assurance responsibilities, which include the following key roles:
 - Tracking actions to address all external audit and key internal audit recommendations including those made in CPA, Direction of Travel & Use of Resources;
 - Receiving reports on best governance practice and developments;
 - Reviewing the adequacy of the system of internal control and approving the annual Statement on Internal Control (SIC);
 - Monitoring action to address key strategic risks in the Strategic Risk Register;
18. The Audit Committee and Executive Cabinet have already approved the re-constitution of the Audit Committee in accordance with the above guidance.

19. A key element of the approach would be to load all agreed external audit recommendations and key internal audit recommendations into Performance Plus with designated responsibilities and implementation dates. Tracking reports would be produced for Strategy Group and Audit Committee on a quarterly basis to coincide with the new Audit Committee meetings cycle.
20. A workable solution needs to be agreed with the Audit Commission to deal with the practical difficulties of establishing an Audit Committee which is entirely independent. The suggestion is that no members of the Executive Cabinet or Chairs of the Overview & Scrutiny Committee / Panels should be members of the Audit Committee.
21. It is also proposed that the existing member lead on risk management be replaced by a member champion for governance.
22. **The Audit and Overview & Scrutiny Committees' terms of reference need to be properly aligned to avoid overlap of purpose. In essence, the Audit Committee should have oversight of governance and performance at the strategic / corporate level whilst the O&S function should have oversight of performance at the operational / service level.**
23. **The Overview & Scrutiny Framework & terms of reference at Article 6 of the Council Constitution (Appendix 4) have been revised to remove responsibility for corporate governance.**
24. The O&S function's key role will continue to focus on driving performance improvement at service level, by:
 - Reviewing service based performance data, including BVPI's on a quarterly basis;
 - Overseeing the annual programme of service based reviews;
 - Holding the Executive to account by receiving all Executive Cabinet papers.
25. The Chief Executive has also indicated that following the recent management restructure, it is important to re-align the responsibilities of the O&S Panels with the service area responsibilities of the two new Executive Directors. **Therefore Article 6 of the Council Constitution (Appendix 4) has also been revised to replace the existing three O&S Panels with two new Panels for "Corporate & Customer" and "Environment & Community".**
26. **The role of the two new Panels will be to hold the Executive to account through the relevant Portfolio holders rather than through Executive Directors' and/or Directorates.**
27. However, given that the new Director of Policy & Performance will report directly to the Chief Executive, the revised Article 6 (Appendix 4) includes a proposal that **the Policy and Performance Directorate should be accountable through the relevant Portfolio holders directly to the Overview & Scrutiny Committee itself rather than an individual Panel.**
28. The opportunity has also been taken to review the membership of the O&S Panels to address issues of attendance and participation which were experienced during 2005/6.
29. One of the key measures in the O&S Improvement Plan is the production of an annual O&S work programme. The Executive Cabinet and O&S Committee have previously agreed that future O&S work programmes should be directly linked to the new Corporate Strategy. A meeting of the Chair and Associate Chairs of the Overview & Scrutiny Committee, Executive Leader and Chief Executive will be held following the Annual Council meeting to draft the 2006/7 Overview & Scrutiny work programme. The draft

programme will be submitted to the Overview & Scrutiny Committee for approval on 27th June 2006 and Executive Cabinet on 29th June 2006 for information.

30. In order to avoid any confusion over accountability and avoid duplication of workload between the O&S and Audit Committee work programmes for 2006/7, the approved Audit Committee Work Plan and Internal Audit review programme for 2006/7 are included for information at Appendices 2 and 3 respectively.
31. Once the O&S work programme has been finalised it should be linked to the issues to be submitted to the Citizen's Panel and any topics which require public consultation should be referred to the Area Forum pilot meetings wherever possible.

RECOMMENDATIONS

32. That the new Audit Committee terms of reference (Appendix 1) be formally adopted.
33. That the Audit Committee's membership be constituted independently of the Executive Cabinet and Chairs of the Overview & Scrutiny Committee / Panels.
34. That the revised Overview & Scrutiny Framework & terms of reference at Article 6 of the Council Constitution be approved (Appendix 4).
35. That the three existing Overview & Scrutiny Panels be replaced by two new Panels, based on the service responsibilities of the two new Executive Directors, namely "Corporate & Customer" and "Environment & Community".
36. That the membership of the two new Panels comprise of seventeen members each in accordance with political balance rules.
37. That the membership of the Overview & Scrutiny Committee itself comprise of twelve members, including the Chairs of the two new Panels.

GARY HALL
DIRECTOR OF FINANCE`

MARTIN O'LOUGHLIN
HEAD OF CUSTOMER, DEMOCRATIC AND OFFICE
SUPPORT SERVICES

Background Papers			
Document	Date	File	Place of Inspection
"Audit Committees – Practical Guidance for Local Authorities".	2005	Finance Unit	Gillibrand St.Offices

Report Author	Ext	Date	Doc ID
Garry Barclay Steve Pearce	5468 5196	03/05/06	ADMINREP/92525LM

NEW MODEL TERMS OF REFERENCE FOR AUDIT COMMITTEES

AUDIT ACTIVITY

- To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- To consider summaries of specific internal audit reports as requested.
- To consider reports dealing with the management and performance of the providers of internal audit services.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable time scale
- To consider the external auditor's annual audit letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money
- To liaise with the Audit Commission over the appointment of the council's external auditor.
- To commission work from internal and external audit.

REGULATORY FRAMEWORK

- To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- To review any issue referred to it by the chief executive or a director, or any council body.
- To monitor the effective development and operation of risk management and corporate governance in the council.
- To monitor council policies on "raising concerns at work" and the anti-fraud and corruption strategy and the council's complaints process.
- To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
- To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- To consider the council's compliance with its own and other published standards and controls.

ACCOUNTS

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

DRAFT AUDIT COMMITTEE WORK PLAN 2006/7

22 JUNE 2006

INTERNAL AUDIT

Internal Audit Annual Report 2005/6
Best Value Performance Indicators

OTHER ITEMS

Use of Resources Action Plan
Statement On Internal Control
Performance Agreement 2006/7

4 OCTOBER 2006

EXTERNAL AUDIT

Best Value Performance Plan / Best Value Performance Indicators

INTERNAL AUDIT

Interim Report on Internal Audit Activities (April-August)
Management of Partnerships & Partnering Contracts
Corporate Anti-Fraud & Corruption Arrangements

OTHER ITEMS

Monitoring Report on the Implementation of Audit Recommendations

18 JANUARY 2007

EXTERNAL AUDIT

Audit Opinion Memorandum
Value For Money Conclusion
Financial Management
Ethical Governance

INTERNAL AUDIT

Interim Report on Internal Audit Activities (September-December)
Corporate Strategies & Policies
Compliance with Standing Orders, Financial Procedure Rules and Scheme of Delegation

OTHER ITEMS

Monitoring Report on the Implementation of Audit Recommendations

21 MARCH 2007

EXTERNAL AUDIT ITEMS

Use of Resources

INTERNAL AUDIT ITEMS

Annual Internal Audit Plan 2007/8

*** All External Audit items are subject to prompt responses to finalise the respective reports**

KEY INTERNAL AUDIT REVIEWS 2006/7

CORPORATE GOVERNANCE

Corporate Strategies & Policies

The purpose of the audit is to evaluate the processes in place to produce, promote and monitor the effectiveness of and compliance with key corporate strategies and policies.

Management of Partnerships & Partnering Contracts

The purpose of the audit is identify the Council's key partnership agreements and partnering contracts and to evaluate the mechanisms for their ongoing performance management and monitoring. This includes an evaluation of the management of partnership risks.

Anti-Fraud & Corruption Arrangements

The purpose of the audit is to work in tandem with the Audit Commission to test the adequacy and effectiveness of the Council's core governance policies and procedures, including those to prevent and deter fraud and corruption.

Standing Orders, Financial Procedure Rules & Scheme of Delegation

The purpose of the audit is to ascertain levels of awareness of and compliance with the key provisions laid down in the Council's contact and financial procedure rules and the scheme of delegation.

BUSINESS CRITICAL SYSTEMS

ICT Security

The purpose of the audit is to ascertain whether there are adequate safeguards in place to protect the Council's ICT resources, including computer hardware, software data and communications.

Data Protection

The purpose of the audit is to ascertain whether the Council has procedures in place to ensure full compliance with the Data Protection Act.

Freedom of Information

The purpose of the audit is to ascertain whether the Council has procedures in place to ensure full compliance with the Data Protection Act.

Business Continuity Planning

The purpose of the audit is to ensure that the Council has a clear, up to date BCP which is regularly tested and fully understood by those responsible for invoking it in the event of an emergency.

Project Management

The purpose of the audit is to ensure that there are corporate standards in place for project management which conform with best practice and are consistently applied.

KEY INTERNAL AUDIT REVIEWS 2006/7

FINANCIAL MANAGEMENT

Key Systems / Interrogations

The purpose of the audit is to continuously test and interrogate all the Council's main financial systems to ensure that they remain effective and secure.

Debt Management

The purpose of the audit is to ensure that debt is minimised through the adoption of alternative income collection methods and efficient and effective debt collection.

Benefits System (Security)

The purpose of the audit is to ascertain whether the Benefits Section is complying with the Security element of the DWP Standards for benefits administration.

Cash Collection & Banking

The purpose of the audit is to ensure that there is effective control of the receipt, banking and reconciliation of cash income.

Charging Policies

The purpose of the audit is to ascertain whether the Council has identified and evaluated all its income generating powers and opportunities and has corresponding, formally approved charging policies in place.

COUNCIL CONSTITUTION

Article 6 – Overview and Scrutinyⁱ

6.01 The Overview and Scrutiny Framework

The Council has established and appointed an Overview and Scrutiny Committee and two standing Overview and Scrutiny Panels. The two standing panels are the **Corporate and Customer** Overview and Scrutiny Panel and the **Environment and Community** Overview and Scrutiny Panel. The purpose of the Committee is to discharge the functions conferred by Section 21 of the Local Government Act 2000 and any Regulations made by the Secretary of State under Section 32 of the Local Government Act 2000. The Committee and the Panels are intended to play an important role in ensuring that all the services of the Council are efficient and effective and meet the needs of the local community.

The Overview and Scrutiny Committee will normally refer a matter which falls within the cross-cutting theme of any of the Panels to the appropriate Panel for investigation and reference back to the Committee with recommendations. As well as the Standing Panels, the Overview and Scrutiny Committee may appoint additional ad hoc Overview and Scrutiny Panels to assist it in carrying out its functions should the need arise.

6.02 Overview and Scrutiny Committee

The Committee has an overall responsibility for all scrutiny work, including that undertaken by the three standing Overview and Scrutiny Panels.

The Committee may exercise the full range of overview and scrutiny powers and functions including the [“call-in” of executive decisions](#). It may consider any topic appropriate for scrutiny but will normally focus on:

Holding the Executive to account

Performance, resources and capacity ~~and corporate governance matters~~

Consideration of recommendations from the standing Overview and Scrutiny Panels

Making recommendations to the executive and/or the Council flowing from its own work and that of the Overview and Scrutiny Panels

Setting and monitoring the annual scrutiny work programmes

Selection of inquiry topics and approval of project outlines and plans

6.03 Overview and Scrutiny Panels

Each Panel is tasked with carrying out scrutiny inquiries and tasks and making recommendations to the Overview and Scrutiny Committee in relation to the cross-cutting themes within its terms of reference. These are the cross-cutting themes of the three standing Overview and Scrutiny Panels:

Corporate and Customer Scrutiny Panel:

Issues relating to the services provided by the following Council Directorates/Units:

Customer Democratic & Legal Services

Finance

Human Resources

ICT Services

Property Services Unit

Environment and Community Overview and Scrutiny Panel:

Issues relating to the services provided by the following Council Directorates/Units:

Development and Regeneration

- Planning
- Development Control
- Economic Development
- Strategic Housing

Leisure and Cultural Services

- Astley Hall
- Community Centres
- Yarrow Valley
- Duxbury

Health Matters

Housing Services Unit

Streetscene, Neighbourhoods and Environment

- Highways
- Environmental Protection
- Neighbourhood Wardens
- Community Safety

6.04 General Role

Within its terms of reference, the Overview and Scrutiny Committee may:

- i) review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- ii) make reports and recommendations with regard to the discharge of any of those functions, to the full Council, its Committees or Sub-committees, the Executive or any Council Officers, as considered appropriate;
- iii) consider any matter affecting the Borough or its residents; and
- iv) recommend that any decision in connection with the discharge of any functions which are the responsibility of the Executive that has been made but not implemented be reconsidered by the person or body who made it.

6.05 Specific Functions

(a) Policy Development and Review.

The Overview and Scrutiny Committee may:

- i) assist the Council and the Executive in the development of budgets and policy frameworks by in-depth analysis of policy issues;
- ii) conduct research, community and other consultation for the purpose of analysing policy issues and possible options;
- iii) assist the Executive and the Officers with the Best Value reviews of services and programme areas by expressing views or comments and making suggestions and recommendations at all appropriate stages of the process;
- iv) consider and implement mechanisms to encourage and enhance community participation in the development of policy options;
- v) question members of the Executive, members of Committees or Sub-committees and Officers about their views on issues and proposals affecting the Borough; and liaise with other external organisations operating in the area, whether national, regional or local, to ensure that the interests of local people are enhanced by collaborative working.

(b) Scrutiny.

The Overview and Scrutiny Committee may:

- i) review and scrutinise decisions made by and performance of the Executive, Committees, Sub-committees and Officers, both in relation to particular decisions and over time;
- ii) review and scrutinise the performance of the Policy and Performance Directorate.
- iii) question members of the Executive, members of Committees or Sub-committees and Officers about their decisions and performance, whether generally in comparison with service plans and targets over a period of time or in relation to particular decisions, initiatives or projects;

- iv) make recommendations to the Executive, any Committee or Sub-Committee, the Council or any Officer arising from the outcome of the scrutiny process;
- v) review and scrutinise the performance of other persons or bodies providing services to residents of the Borough or undertaking activities in the Borough which affect the economic, social or environmental well-being of the Borough or its residents;
- vi) for that purpose, request reports from such persons or bodies them about their activities and performance and invite them to address the Overview and Scrutiny Committee or an Overview and Scrutiny Panel; and question and gather evidence from any person (in the case of a person other than a member of the Council or a Council Officer, with their consent).

(c) **Finance.**

The Overview and Scrutiny Committee shall exercise overall responsibility for any finances made available to it or to an Overview and Scrutiny Panel.

(d) **Periodic Reports.**

The Overview and Scrutiny Committee shall report periodically to the full Council on its workings and its future and ongoing work programmes and working methods and those of standing Overview and Scrutiny Panels.

6.06 Proceedings of Overview and Scrutiny Committee and Panels

The Overview and Scrutiny Committee and the Overview and Scrutiny Panels shall conduct their proceedings in accordance with the [Overview and Scrutiny Procedure Rules](#) set out in Appendix 5 to this Constitution.

ⁱ Amended in version 005 of the constitution to reflect changes made to overview and scrutiny arrangements by the council meeting of 13 May 2003