

AUDIT COMMITTEE

1 December 2015

Report

Subject Heading:

Corporate Governance Update

CMT Lead:

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Policy context:

To inform the Committee of corporate
governance work undertaken in 2015/16
and progress against significant
governance issues reported in the
2014/15 Annual Governance Statement
and relevant developments.

Financial summary:

N/A

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	[x]
People will be safe, in their homes and in the community	[x]
Residents will be proud to live in Havering	[x]

SUMMARY

This report provides the Audit Committee with an update regarding work to strengthen the Council's governance arrangements, the actions taken so far in monitoring the issues noted on the 2014/15 Annual Governance Statement and relevant developments.

RECOMMENDATIONS

1. To note the contents of the report.

2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

1. Introduction

- 1.1 Political leaders and chief executives are accountable for ensuring good governance in their authority. Authorities must be able to demonstrate compliance with the principles of good governance.
- 1.2 Governance is about how councils ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values by which councils are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 1.3 Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. It impacts on the Council's reputation and levels of public trust.
- 1.4 High standards of conduct and leadership are at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation. The Audit Committee undertakes a key role in overseeing that these arrangements are in place and are ambassadors for good governance and effective risk management and compliance.
- 1.5 Regulation 6(1) of the Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS). The purpose of the AGS is to communicate to stakeholders the standards of corporate governance the organisation demonstrates and identify any significant issues that have arisen in year, and what is planned to address these issues.
- 1.6 Currently the Council has an officer Governance Group which is chaired by the Deputy Chief Executive, Communities and Resources who reports to Corporate Management Team on outcomes from the group's work. This group oversees the process to produce the AGS annually and monitors the action plan to address significant governance issues.

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- 1.7 The group brings together key representatives from across the organisation, on a quarterly basis, to:
- Identify, discuss and prioritise governance issues;
 - take action to resolve issues or propose resolution for relevant approval and implementation;
 - challenge system and process (old and new);
 - review assurances around compliance;
 - communicate key messages out across the organisation; and
 - streamline reporting/escalation of issues and ensure duplication of effort is identified and removed.
- 1.8 The group maintains a robust record of issues raised and a detailed action plan to capture outcomes and achievements. Actions are allocated to responsible officers for progression between meetings and the network of other officer groups such as the Health and Safety Performance Groups are used to ensure that actions and communications are being taken forward via the most efficient and effective method.
- 1.9 The Governance Group is non-decision making and escalates issues into the Corporate Management Team directly or via the Deputy Chief Executive, Communities and Resources dependent on timescales. The output informs both the Annual Governance Statement and Corporate Risk Register and other policies and procedures etc. as appropriate.

2. Developments in 2015/16

- 2.1 There is a perpetual need for activities to become more outcome focused and ensure that they are efficient in terms of resource utilisation. This raises challenges around balancing empowerment, compliance and governance. In 2014/15, the Officer Governance Group was created to form a network of Governance Champions.
- 2.2 During 2015/16, the approach the role and approach of the officer Governance Group has been reviewed and refreshed. Two meetings have been held to date; the September meeting considering the updated 2015/16 Corporate Risk Register and whether there were any new emerging areas for possible recommendation to CLT for inclusion or status changes and concluded that there were none. The Group also reviewed the 2014/15 Annual Governance Statement and the progress made on addressing the highlighted significant governance issues.
- 2.3 At the September meeting, the group also received the CIPFA/SOLACE consultation paper on *'Delivering Good Governance in Local Government'*. The consultation invites comments on the following questions:
- Would this framework *Good Governance in Local Government* assist you in developing and modernising your own local code of governance/governance arrangements?

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- Would this draft Framework assist you in establishing governance arrangements for collaborative working (alternative delivery vehicles, partnerships etc.)?
 - Are there any parts of the Framework that you would find difficult to follow/comply with?
 - Have we got the terminology right, with particular reference to collaborative working? If not, how could it be improved?
 - Principle E looks at the relationship between members and officers. Have we got the tone and balance right? If not, how could it be improved?
 - Is any further guidance required with regard to the development of a local code?
 - What further guidance is required with regard to the preparation of the annual governance statement?
 - Are there any other aspects of governance that are not in the draft Framework which you believe should be addressed?
 - How might the Framework be improved?
- 2.4 The PSIAS defines the Assurance Service as *“an objective examination of evidence for the purpose of proving an independent assessment on governance, risk management and control processes for the organisation”*. Going forward, the oneSource internal audit service will adopt an assurance focus/approach and the reporting flowing from this will be the primary tool used by the Audit Committee to ensure that it is properly informed on governance, risks and the internal control environment.
- 2.5 With the oneSource shared service and the establishment of innovative delivery models and an increased self-service culture, the revised *CIPFA/SOLACE Delivering Good Governance in Local Government* framework, when available, will be used to inform and strengthen the Council’s governance arrangements.
- 2.6 The Governance Group will also review and consider the future Risk Management Strategy and arrangements that will be undertaken post implementation of the new assurance service; until then the existing agreed Risk Management Strategy will remain in force. The Strategy will be reported to the Audit Committee in 2016/17.
- 2.7 Ahead of this the opportunity afforded from the actions identified in the 2014/15 AGS to adopt a oneSource Governance and Assurance officer group Terms of Reference is currently under development, specifically, the review of the Scheme of Delegation and the implementation of an assurance service from 2016/17.
- 2.8 It should be noted that the assurance approach, placing reliance on other intelligence sources and in effect ‘triangulating’ risk areas, will assist in ensuring available resources are focused on significant risk areas, thus allowing the internal audit function to be lowered in line with reducing levels of resources whilst remaining adequate and effective.

3 2014/15 AGS – action taken in relation to significant governance issues

3.1 The 2014/15 AGS was reported to the June Audit Committee and accompanied the Annual Statement of Accounts presented for sign-off at the September 2015 meeting.

3.2 The significant issues raised in the 2014/15 Annual Governance Statement are set out in detail in Appendix A and progress against each of these is reported there. For members' ease of reference the areas identified are:

- **The Scheme of Delegation** - Issues with the scheme of delegation were identified following the amendments to include oneSource
- **Declarations of Interest** - There have been instances identified of failings by officers to comply with expectations regarding declarations.
- **Assurance** - as a result of reduced capacity the organisation's approach to ensuring compliance with policy and procedure has had to shift. Compliance issues have identified gaps in this assurance framework that need to be addressed.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised. The risks of our arrangements not complying with best practice may lead to the Council not being viewed as open and transparent by stakeholders.

Legal implications and risks:

The Council is responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk (Regulation 3 of the Accounts and Audit Regulations 2015).

The Council must carry out an annual review of the effectiveness of its system of internal control which must be considered by the relevant committee. In the light of that review, the Council must produce an annual governance statement which must be approved by the relevant committee in advance of the Authority approving the statement of accounts (Regulations 6 (1), (2) and (4) of the Accounts and Audit Regulations 2015).

There are no apparent risks in noting the content of this report.

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Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report. Equality and social inclusion are key factors to consider in the Council's governance arrangements and any changes to the Code of Governance or other related policies and procedures are assessed in order to ensure the impact is appropriately identified. The Governance Group is attended by someone with equalities expertise.

BACKGROUND PAPERS

Annual Governance Statement 2014/15

Audit Committee Corporate Risk Register Quarterly Update September 2015

CIPFA/Solace – current 'Delivering Good Governance in Local Government' framework.

CIPFA/Solace – Delivering Good Governance in Local Government' framework consultation September 2015