

Agenda Item 9

Audit and Governance Committee

29 September 2009

TC



Corporate Governance activity report for the period 1 July 2009 to 30 September 2009, including:

- **Updated Corporate Risk Management Policy and Strategy**
- **Corporate Governance Work Plan – Progress Report**
- **Corporate Risk Management – Progress Report**
- **Annual Governance Statement Action Plan (Progress Reports from Directors/HoS)**

Summary

The report and appendices outline the work undertaken to ensure the council's corporate governance arrangements are effective and in compliance with its local Code of Corporate Governance.

Recommendations

Members are asked to approve the:

- **Updated Corporate Risk Management Policy & Strategy**

Members are asked to note progress:

- **The progress made so far on the Corporate Governance Work Plan for 2008/09**

Members are asked to note and keep under review the progress on:

- **Corporate Risk Management**
- **Annual Governance Statement - Action Plan**

a) Reasons for Recommendation

In order that the status and role of Corporate Governance can be confirmed at Member level and to ensure that progress is being made on the Governance plans in line with Member expectations.

b) Alternative Options

None

c) Risk Considerations

- **Failure to comply with our own Local Code of Corporate Governance**
- **Failure to comply with the Corporate Governance 'Key Lines of Enquiry'**
- **Failure to maintain our Use of Resources score**
- **Failure to maintain our current CAA rating**
- **Failure to progress the actions within the Annual Governance Statement**
- **Criticism from External Audit and other external review agencies**

d) Policy and Budgetary Considerations

There are no budgetary considerations

e) Date for Review of Decision

N/a

Main Body of the Report

Introduction

This report shows the activity for the period July to September 2009.

Audit Staffing

The Internal Audit Activity Report gives a full explanation of the staffing situation within the Audit & Governance team and it should be noted that a lack of resources in internal audit has had an impact on the Council's corporate governance.

Corporate Risk Management – CRMG Chairman's Progress Report

The Corporate Risk Management Group (CRMG) has been charged with the task of bringing into use a revised Corporate Risk Register (CRR). The CRMG is a member/officer group chaired by an elected councillor and includes the Corporate Director and the Corporate Risk Manager.

The Corporate Risk Management Policy, Strategy and Toolkit have all been updated and agreed by the CRMG. These documents are revised when required and it is expected that an annual review of their content is all that is presently needed.

The CRMG commissioned the SPAR.net system which has received regular software updates and is now fully operational. The CRR itself is proving to be a straightforward tool to use and has a degree of clarity that will be of benefit to members and officers alike when viewing and reviewing risk data.

The design of the pages of the CRR enable easy access to areas for review of information and the clarity of the screens will help to ensure that members will be able to enter and browse the CRR without difficulty.

Population of the CRR is taking more time than was planned and the desire to complete a fully operational CRR before the end of the year may prove difficult to achieve. Whilst the SMT has considered corporate/strategic risks none have yet been entered into the CRR. Some progress has been made on the identification and entry of operational/service risks but these operational risks can only be linked to strategic risks once they (the strategic risks) are entered.

As experience is gained setting out risks and mitigating controls some questions arise that have required some debate. In every instance I, as Chairman, have asked for clarity for the benefit of Members and therefore all listed risks are to be rated before controls are added and the revised risk levels noted after mitigation. There will also be a need to rationalise the structure and categories of risk as time passes but this should not interfere with the population of the register. It is a deliberate policy that the Register itself becomes a corporate act in itself so that repeated 'risk' is avoided and clarity enhanced. The ultimate ambition includes the discernable 'golden thread' that leads to and from the Strategic Vision set down by Council and to which we should adhere.

In the meanwhile I trust that population of the CRR will accelerate and that we will be able to meet the ambition that we shall have a fully operational CRR in use by the end of the year. Not to achieve this brings the added risk of serious criticism from the external auditors.

Corporate Risk Management Policy & Strategy

On the 1st September the Corporate Risk Management Group (CRMG) revised the Corporate Risk Management Policy and Strategy to bring it in line with the new Corporate Risk Management System SPAR.net. This Policy is presented to Members of the Audit & Governance Committee for approval.

Corporate Governance Work Plan 2009/10 – Appendix 1

Please refer to appendix, a brief summary of the work completed so far this year is detailed below:

NFI Exercise 2009/10

This exercise is co-ordinated by the Internal Audit & Governance Manager who ensures login and password details are allocated to responsible officers and monitors completion of the work and ensures the on-line database is adequately completed with relevant details.

The exercise is progressing well and the NFI work has been completed for creditors, the results of which were the finding of two duplicate payments:

1. Two payments referenced 08101021 and 08101021, both for £1,429.32. It should be noted however, that this duplicate payment had already been picked up and a credit note had been applied (unfortunately NFI only picks up on payments made and does not match with credit notes);
2. A Sundry Debtor overpayment refund for £29.80 as at January 2008 was paid twice. Procedures have now been changed to prevent this type of overpayment.

The exercise is progressing well in Housing Benefits, with over 1300 matches checked to date. These matches have led to a total of 82 claims subject to further enquiry, a total of 34 letters have been prepared and sent to benefit claimants to clarify their claim and 3 of these have been subject to intervention¹ 4 of these have been sent to the DWP to investigate and a further 3 have been referred directly to housing benefit fraud for investigation by our team. I will provide further details on the results of these investigations to the Audit & Governance Committee in December.

Audit and Governance Training

A number of Members and officers attended training sessions arranged in early July in the use of the Corporate Risk Register, a number of Members have also attended an Induction and Corporate Governance training session in late July, there were also one-to-one training session with two other Members in August.

Annual Governance Statement – Action Plan, Progress Report

The Internal Audit & Governance Manager is pleased to report comments from the Head of Service for each item in the Action Plan.

Area for Improvement - Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.

HoS Response - The disaster recovery process is still tenable for all the identified core systems. The tape recovery process has been used a number of times in the last 6 months to recover files that have been inadvertently erased and also to build a new Exchange server for email.

With the increasing amount of data stored by the Council the back-up “window” had extended into live operation times and remedial action was taken to alter the back-up methods to compensate.

Work began in July to completely redesign the disaster recovery and back-up systems to make everything faster, easier to use, and more reliable. This involves using the new links to Honiton Business Centre for data transfer and setting up equipment that more closely replicates the systems at the Knowle. This is now in process aiming for a test no later than March 2010.

Area for Improvement - The Council’s Corporate Risk Management System is not up to date and does not adequately identify and manage corporate risk.

Corporate Risk Manager Response – See above for progress report.

¹ Personal visits by HB officers to look at in more depth

Area for Improvement - The Council's Internal Audit Service has suffered from a lack of resources and does not have adequate resources to monitor the governance arrangements of the council.

Internal Audit & Governance Manager Response – Agreement has now been reached on the content of the specification and 'Expression of Interest' advertisements have been made.

Area for Improvement – There is a need to review Health and Safety compliance throughout Street Scene services.

Street Scene Manager Response – Area Manager (West) is leading this project and is being supported and monitored by the Head of Service and Street Scene Manager. The various policies, generic risk assessments, site specific risk assessments, inspection sheets/procedures, updated COSHH sheets and codes of Practice are being pulled together. Consultation is underway with teams to identify any additional assessments. Once the gaps have been identified, individuals will be tasked to review or undertake from scratch additional assessments.

Area for Improvement – Failure to develop Flood Alleviation and Coast Protection Strategy. The Strategy links to both national and regional plans and would draw down funding for protection schemes. Due to lack of resources in Street Scene, (Engineering) the capacity of the staff to deal with these issues is limited.

Response awaited

Area for Improvement – LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.

Response awaited

Legal Implications

None

Financial Implications

None

Consultation on Reports to the Executive

N/A

Background Papers

Corporate Governance Work Plans
Annual Governance Statement - Action Plan
CRMG Minutes

Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
29 September 2009

East Devon District Council

Corporate Risk Management Policy (CRM)

Reviewed

September 2009

Policy Approval

Audit & Governance Committee – September 2009

Reasons for introducing the Policy

The Council's Corporate Strategy sets out its vision of "Outstanding and sustainable quality of life for everyone in East Devon". It complements this statement with seven specific priorities that will help to achieve its vision. The Corporate Strategy also refers to challenges and success indicators, and specific measures that it will take over the next 12 to 24 months. The Council must continually monitor and improve the services that it provides, introducing challenge and change; integral within these processes is the identification of risks and opportunities.

The Council needs to manage its risks and take account of its opportunities, such action will facilitate the delivery of the Council's vision and help to deliver the services expected of our stakeholders by:

- Making CRM part of the everyday culture of the Council
- Targeting corporate risk management issues
- Maintaining financial stability by minimising loss and wastage
- Providing and maintain opportunities for investment and redirection of resources
- Maximising income opportunities
- Identifying new initiatives and change
- Developing and maintaining reputation (to encourage partners and funding agencies)
- Being open and honest in our decision making processes, delegation arrangements and corporate governance

The CRM process also:

- Provides a framework for internal audit financial and management control
- Supports internal audit work plans

The points above help to demonstrate the links between the corporate strategy and the Council's service plans for service delivery. It also introduces another dimension into CRM that of "corporate"¹ risks and "operational" risks.

Policy Statement

Risks themselves can range from those with an impact that can be easily understood e.g. those related to a major capital project, to those that are less readily identified such as the risk to the Council's reputation and standing. This Corporate Risk Management Policy provides a framework within which these risks can be managed.

¹ 'strategic' – medium to long term, affecting the vision and priorities of the Council

The Institute of Risk Management has defined 'risk' as *"the chance of something happening that will have an impact on objectives"*

CRM can be defined as the use of all forms of intelligence, information and data to identify and quantify the risks faced by the Council. Being aware of our risks and opportunities means that decisions can be taken on the best way of controlling and managing risk, and whether to transfer it (through insurance) or accept and finance it in-house.

The stages of CRM are as follows:

- Identification
- Analysis and Assessment
- Control and Management
- Financing
- Monitor and Review

Terms Explained

Corporate¹ Risks

Corporate risks are generally managed by the Council's Corporate Directors and are defined as risks that can damage the achievement of the Council's priorities, outcomes and measures i.e. the Council's "vision".

Operational Risks

Operational risks are managed by heads of service and senior managers and are defined as risks that can affect the delivery of individual services but would not, in isolation, threaten the Council's overall objectives. For example: a refuse vehicle breaking down during a collection round. The link between the two is that operational risks can become strategic if they continue to happen. For example: continued failure to collect refuse would adversely affect the Council's reputation for delivery of quality services and would ultimately contravene health and safety legislation.

How will we go about it?

The Council has published its Toolkit for CRM. This document sets out the processes required and provides the framework for all CRM activities.

This Policy and Strategy will describe the different elements that need to be managed in order for the CRM methodology to become embedded into every layer of the Council. These are:

Ownership

The Council must demonstrate that it owns its Corporate Risk Management Policy and supports the Strategy and Toolkit.

Defined roles and responsibilities

The Council must ensure councillors, corporate directors, heads of service and senior managers understand how to identify, measure and control corporate and operational risks.

Processes

The Council must build in CRM when making decisions and this process should be documented in accordance with the CRM Toolkit.

Advice and Guidance

The Council must provide advice on best practice, and incorporate CRM within specific projects.

Resources

The Council must allocate adequate resources to achieve the Policy and deliver the Strategy.

Corporate Risk Management Strategy

Ownership

It is vital that the Council promotes CRM as one of its key corporate governance outcomes. CRM is a valuable tool to ensure the continued delivery of services. Whilst CRM guidance and advice is provided by expert staff, to be effective it must be part of everyone's "day job" ie: part of the culture of the Council. Corporate directors will manage the achievement of the Council's "vision" and priorities and the risks associated with them; and Heads of service will manage the delivery of their services and the risks associated with delivery.

Roles and Responsibilities

At officer level, responsibilities may be of an individual nature and will include the Chief Executive as Head of Paid Service, the Corporate Director as Section 151 Officer², and the Deputy Chief Executive as the Monitoring Officer. They also include the collective responsibility of other corporate directors and heads of service, through departmental management teams, and individual service managers and their staff as the people who deliver services on the ground.

There is a Corporate Risk Manager who, together with the risk 'Champions'; (these are the Corporate Director and appointed Council Member), are the main drivers for much of the corporate risk management activity.

Processes

The simplest way to describe how to perform CRM is to think of a cyclical process of identification (of risks) which leads to assessment and the consideration of actions (or controls) to mitigate the risk. Then to establish mechanisms for implementing the actions (or controls) including allocating specific responsibility to ensure the control is in place and working as expected. Finally, there is a need to monitor, review and update on a regular basis.

The Council has produced a Toolkit which sets out in detail each of the processes above, and includes risk assessment matrices to assess likelihood and impact.

The Council has a CRR (Corporate Risk Register) that will be updated on a regular basis.

Advice and Guidance

The Council has provided directors, heads of service, senior/middle managers and key Council members with the necessary training to ensure an awareness of risk and published the CRM Toolkit (Corporate Risk Management Guide) to help guide the identification, assessment and management of corporate risks. The Council's learning and development brochure contains details of further training should this be required.

² officer responsible for the administration of the Council's financial affairs and stewardship of public funds

Resources

The Council has a nominated officer designated as the Corporate Risk Manager, who together with the Corporate Director is responsible for ensuring a corporate approach to CRM and to provide advice and guidance on best practice and legislative requirements.

Independent Review

The Council's internal auditors will review the accuracy and integrity of the CRR and the CRM process. More details of their review process can be found in the CRM Toolkit.

Reporting to Members

The Council has an established Audit & Governance Committee who receives regular reports. Council members monitor the key findings and risks and ask for explanations as and when appropriate from each head of service

The Council has nominated a Council member as 'CRM champion' who is also a member of the Audit & Governance Committee.

Outcomes

The overarching aim of CRM is to contribute to the achievement of the Council's vision and priorities outlined in the Council's Corporate Strategy. It will do this through:

- Improving service performance, minimising losses and waste of resources.
- Helping to protect staff, residents and customers, and the Council's assets and operational capacity.
- Aligns the risk assessment process to strategic objectives, to the corporate strategy and operational objectives.
- Increased likelihood of achieving strategic and operational objectives.
- Heads of service and managers becoming 'risk owners' with responsibility for implementing the actions to control their risks.
- Satisfying the requirements of the Audit Commission and external auditors.
- Assisting in ensuring openness and transparency of decision making by ensuring risks and opportunities are fully debated.
- Assisting decision making because both risks and opportunities can be evaluated.
- Compliance with the Council's Code of Corporate Governance
- Recognition as an excellent Council.

Who is responsible for delivery?

The Corporate Risk Manager will offer advice, guidance and training and will ensure a review of the accuracy and integrity of the CRR and the CRM process. The Corporate Risk Manager will report on the compliance with this Policy, Strategy and the CRM Toolkit. The Corporate Risk Manager will update the Policy, Strategy and other supporting documentation and prepare the Council's Governance Statement.

The strategic management team is responsible for identifying, assessing, monitoring and controlling corporate risks. They also have a role in promoting good governance and CRM across the Council.

Heads of service are responsible for identifying, assessing, and reviewing their service risks. This includes any activities in partnership with other services and/or external partners. Heads

of service are responsible for the implementation of actions (controls) to ensure that any risks identified are mitigated.

The Corporate Risk Management Group will promote and embed a culture of Corporate Risk Management by ensuring appropriate corporate risk management guides, policies and procedures are available to assist in the identification and evaluation of risks. This Group will receive various reports on corporate risk management and monitor corporate risks.

All councillors and staff who make decisions have a responsibility to consider (and take account of) any risks associated with their actions.

The Portfolio Holder for Resources is responsible for the general overview of CRM. The Member Risk Champion is responsible for driving and co-ordinating CRM within the Council

The Audit and Governance Committee is responsible for scrutinising CRM across the Council.

Performance Monitoring

External Inspection and Assessment

Corporate Risk Management is a key dimension in the Council's Corporate Governance arrangements. Guidance from ALARM³ enables the Council to review its arrangements against a recommended framework. The combined policy, strategy, toolkit and other affiliated control procedures, training programs, regulations and codes, provides a comprehensive framework for the management of risk across the Council.

The arrangements for Comprehensive Area Assessment (CAA) use the CIPFA/SOLACE framework as a "benchmark" for part of the corporate assessment phase. The Council needs to demonstrate certain qualities and minimum standards in order to achieve a favourable assessment.

The Council's CRM arrangements are under constant review from both the Audit & Governance Committee and from our external reviewers (ie: Audit Commission and external auditors). CRM features heavily in our Use of Resources assessments and failure to deliver this strategy will result in a failing Use of Resources score.

Policy Consultation

This CRM policy and strategy has been discussed and agreed with the Council's external auditors, and follows guidance issued by ALARM and the Audit Commission. Internal consultation involves staff across the Council, key Council members and the Member Champion for CRM.

Policy Review

This policy will be reviewed by the Internal Audit & Governance Manager on a regular basis.

Related Policies and Strategies

Financial Regulations and Financial Operating Procedures
Code of Corporate Governance
CRM Toolkit

³ Association of Local Authority Risk Managers

CORPORATE GOVERNANCE WORK PLAN 2009/10

Appendix

Month		Update Audit and Governance Policies, Strategies, Procedures, Codes of Practice, Explanatory Leaflets etc		Partnership Mapping and partnership corporate governance arrangements (but see note on reverse) ⁴	Annual Governance Statement 2008/09 ⁵	Key Lines of Enquiry 2008/09 - Use of Resources KLoEs and Corporate Governance KLoEs ⁶	Corporate Risk Management - System Procurement and implementation, data transfer and cleansing		Ongoing Management of staff resources, workloads and plans of the Internal Audit Section ¹⁰
2009									
April									
May	A & G & CRMG Committee Reports ¹		NFI ³					Data Quality Initiatives – BVPI and NI checking ⁸	
June		Ongoing throughout the year. ²					System Admin ⁷		
July									
August	A & G & CRMG Committee Reports ¹							Audit & Governance Training for council staff and members ⁹	
September									
October									
November	A & G & CRMG Committee Reports ¹								
December									
2010									
January	A & G Committee Reports ¹								
February	A & G & CRMG Committee Reports ¹				Annual Governance Statement 2009/10 ⁵				
March									

Completed
 On going
 delayed

Notes to the Corporate Governance Plan

¹ Audit & Governance Committee – this Committee meets 5 times, it is supplemented by an Audit & Governance Committee Agenda, which prompts for different reports from the various officers (both internal and external) who report to it. The Committee requires regular updates on progress of internal audit and corporate governance work together with action plans relating to the Annual Governance Statement, Key Audit Findings and Risks and Computer Audit Monitoring. The Corporate Risk Management Group meets quarterly and is supplemented by a Committee Agenda which prompts for different reports relating to CRM.

² Policies, procedures and Codes – the IA and Governance section take responsibility for many financial and ethical policies and codes, these need to be reviewed on an annual basis and updated where applicable. Policies include the Code of Corporate Governance, Anti-Fraud, Theft and Corruption Policy, Disposal Policy, Guide to Corporate Risk Management, Guide to Internal Audit and the Audit Charter.

³ NFI – National Fraud Initiative, the Audit & Governance Manager is the key contact and co-ordinating officer and deals with incoming and outgoing queries, investigates cases of potential fraud relating to council staff, co-ordinates investigations by other sections and/or directorates and ensures the Audit Commission's database is updated by nationally agreed deadlines.

⁴ Partnership Mapping – The council's partnerships are required to be mapped and assessed to establish whether or not they include adequate corporate governance arrangements, a risk assessment is also undertaken and an action plan detailing recommendations is produced. This work is essential criteria under our Use of Resources assessments. Until the resource issue within the section is resolved it is not possible to be clear about target or completion dates.

⁵ Annual Governance Statement - Accompanies the council's financial statements and is signed off by the Chief Executive and the Leader of the Council, reviewed by the External Auditors and complements the council's corporate governance arrangements. The Audit and Governance Committee keep the Governance Statement Action Plan under review.

⁶ Key Lines of Enquiry 2008/09 - this includes the 'harder test' KLoEs under Use of Resources and the KLoEs relating to Corporate Governance. Both sets of KLoEs are required to be completed for the Annual Governance Statement (item 5 above). Key Lines of Enquiry are reviewed by the External Auditors and support the council's rating under CAA.

⁷ Corporate Risk Management is to be re-launched within the council with the procurement and implementation of a new Corporate Risk Management System and a new work process whereby Heads of Service are responsible for updating the Corporate Risk Register. The Audit & Governance Manager is the council's key contact for Corporate Risk Management and works with members and staff to ensure the council's risks are identified and mitigated as far as possible. The Audit & Governance Manager will remain the systems administrator for the Risk Register.

⁸ Co-ordinate the review of the council's National Indicators and prepare supplementary reports to council staff and members.

⁹ Audit & Governance Training

¹⁰ Ongoing Management of the Internal Audit Section – management of staff, systems, workloads, plans, procedures etc pertaining to the internal audit service.

Area for Improvement	Suggested Action	Officer Resp.
<p>There is a need to review Health and Safety compliance throughout Street Scene services.</p>	<p>Review Health and Safety compliance and include in service objectives for this year and in PERs..</p> <p>These duties were part of the Performance Officer post (now deleted) existing staff need to find the capacity to move this forward at the expense of other works.</p>	MR
<p>Failure to develop Flood Alleviation and Coast Protection Strategy</p> <p>The Strategy links to both national and regional plans and would draw down funding for protection schemes. Due to lack of resources in Street Scene, (Engineering) the capacity of the staff to deal with these issues is limited.</p>	<p>The post of Principal Engineer is currently on hold pending the outcome of local government review and service transformation.</p> <p>This has serious work capacity issues in the delivery of Engineering services in particularly those associated with Land Drainage, Flood Alleviation and Coastal Defence works. Failure to fill this post will mean a work will need to be prioritised with some work areas not being carried out.</p>	KH
<p>LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.</p>	<p>Asset Management Forum will be reporting to the Asset Management Group to resolve some of the contractual issues on maintenance for LED .</p>	KH/DB

Area for Improvement	Suggested Action	Officer Resp.
<p>A programme of data quality checking was carried out by Internal audit during 2009 which found most NIs were either incorrect or needed remedial action. The NIs requiring internal audit recommendations were</p> <p>NI 156 – Housing NI 182 – Environmental Health / Licensing NI 185a/b CO² Emissions NI 194a/b Air Quality NI 196 – Street Scene</p>	<p>Report produced by Internal Audit & Governance to be presented to the Audit & Governance Committee on 29th September 2009.</p>	<p>SMT</p>
<p>An audit in 2007/08 highlighted the areas of weakness with regards the Council's Licensing functions, in that there are two which do not operate consistently or use the same computer system. Internal Audit recommended that the two Licensing functions be amalgamated, and this recommendation appeared on the 2008/09 Governance Action Plan but has not been implemented. The issues highlighted in the review of NI 182 are likely to have been exacerbated by the inconsistent methodologies and systems.</p>	<p>During 2008 Internal Audit were assured that a timetable for data transfer from Environment Health was being discussed with ICT; however this had been delayed because of the problems associated with the protracted migration of the Environmental Health Computer System from M3 to CAPS. We were also assured that the Licensing Manager was preparing for handover and had been liaising with his counterpart in Mid Devon where they have a similar set up in readiness for the transfer.</p> <p>The current position is that all the important cyclical licences have now been transferred and the remainder are progressing well. The transfer will be completed in time for this year's round of licence renewals.</p>	<p>SMT</p>