

**Appendices:**  
**A. Governance Action Plan**  
**B. Implementation Status Report**



## **AUDIT COMMITTEE REPORT**

<b>Report Title</b>	<b>Progress Update on Implementing the Governance Action Plan</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	<b>27<sup>th</sup> June 2017</b>
<b>Policy Document:</b>	<b>No</b>
<b>Directorate:</b>	<b>Borough Secretary</b>
<b>Accountable Cabinet Member:</b>	<b>Cllr Eldred</b>

### **1. Purpose**

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1.1 This report outlines progress made to date on formulating and implementing the Council's Governance Action Plan

### **2. Recommendations**

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2.1 That the Committee review and comment and where appropriate constructively challenge the Governance Action Plan to inform further work on its content, development and implementation.

2.2 That the Committee receive update reports on the implementation of the Governance Action Plan and its covering implementation status report from the Chief Executive, Borough Secretary and Chief Finance Officer at every future meeting until it determines otherwise.

### **3. Issues and Choices**

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#### **3.1 Report Background**

3.1.1 The Governance Action Plan is a fundamental document for the Council. It seeks in the period after Sixfields to get to the core of how the governance arrangements and processes of the Council must work both tangibly and intangibly and the specific procedures that need to be in place, or need to be reinforced, to ensure that proper and effective governance happens in practice

at all times and this on a par of organisational importance with the Budget Book and/or the Constitution.

**3.1.2** Key to the success of the Governance Action Plan will be:

- Substantively revised governance culture and structure for the Council, including for risk management, to enhance and support deliberation and assessment of all recommendations, decisions, programmes and projects before approval, during implementation and on completion.
- Renewed and greatly enhanced focus on officer compliance with policies, procedures and best practice in all aspects of governance, backed by enhanced professional and technical engagement and a central capacity to provide support, training, development and enforcement to ensure compliance
- Enhancements and strengthening to the role of the Audit Committee in overseeing compliance with policies and procedures Specifically moving into the future this will be to develop the Audit Committee to provide organisationally independent assurance to the Cabinet on:-
  - The adequacy of risk management and the control environment at the Council
  - The Council's financial and non-financial performance to the extent its affects exposure to risk and the control environment
  - The financial reporting process
  - The effectiveness of internal audit, risk management and anti-fraud plans and strategies and functions
  - Effective working arrangements between internal and external audit
  - The annual plans of internal and external audit
  - The implementation of audit recommendations
- Achieving compliance with CIPFA/SOLACE recognised best practice in local authority governance.

**3.1.3** Implementation of this Plan is owned and overseen by this Committee, by the Leader of the Council, the Chief Executive and the Statutory Officers, by Management Board and the Governance and Support Programme Board led by the Borough Secretary.

**3.1.4** The current Plan has been reviewed and made more "SMART" from the previous version

**3.1.5** A new implementation status report, which reports and quantifies the extent of implementation of actions in the Plan, has also been developed and it is proposed this will be reported to Management Board on a regular monthly basis. The proposed May 2017 report is enclosed at Appendix B for the attention of the Committee.

**3.2** The following are the key improvement areas in the Governance Action Plan.

### **3.2.1 Risk Management**

- 3.2.2 Risk management is a key priority in the Governance Action Plan and has three linked key tasks which are firstly to review the risk management framework, policy, procedures and processes of the Council, secondly to embed risk management throughout the organisation and lastly to ensure there is effective risk reporting through the governance process.
- 3.2.3 To date the Council has in terms of progress to achieve these three tasks appointed a Governance and Risk Manager on a permanent basis in June with the specialist expertise to lead on reviewing and strengthening all governance and risk processes (including the risk management strategy), to lead also on establishing the Licence to Practice framework as vehicle to address organisational weaknesses, and to support the continuing professional development of the Council's audit committee.
- 3.2.4 Specific actions completed include the update of the corporate risk register during April 2017, approval of the Risk Management Policy by the Management Board on 27.04.17, the developing of a Risk Identification and Risk Management Training module for staff as a high-priority part of the Licence to Practice programme and also the commencement of work to produce risk management training plans for key officers of the Council and also the Audit Committee.

### **3.3.1 Due Diligence**

- 3.3.2 The External Auditor's ISA 260 report identifies the need for systematic, robust and objective processes for assessing and documenting due diligence procedures in relation to loan finance. Officers have put a hold on the issuing of any loans pending a review of due diligence processes. A summary of existing loans and key documentation have been compiled and centralised in one place. An extensive loans compliance checklist has been developed, and reviewed by the Council's banker Barclays with use of the checklist mandatory part of this and the above actions being a part of the on-going review of due diligence at the Council.
- 3.3.3 A due diligence and compliance manual is also in the process of being prepared and will operate as a toolkit support for officers.
- 3.3.4 Due diligence has also been identified as a high-priority dedicated training modules as part of Licence to Practice Programme.

### **3.4.1 Project & Programme Support**

- 3.4.2 Transfer of programme from LGSS and a review of project governance are the two key tasks set for project and programme support in the Governance Action Plan.
- 3.4.3 Further to these two tasks transfer of LGSS staff was completed on 30.01.17 and a new project framework has been developed with project and programme clarified and with a focus on assurance built into the framework. A

monitoring and tracking and exception reporting process has also been developed.

3.4.4 The Governance & Risk Manager above has also been appointed to strengthen project risk and governance processes and Major Programme and Project Management has been identified as a key Licence to Practice module.

3.4.5 The overall review of project governance continues and is on-going.

### **3.5.1 Internal & External Audit**

3.5.2 The Governance Action Plan identifies the review of internal audit recommendations and improved reporting of internal audit recommendations as the two key tasks of the plan.

3.5.3 As previously agreed by the Audit Committee, there will be separate reporting and attendance at Audit Committee by the LGSS Internal Audit team to provide assurance in areas relevant to their role and responsibility to NBC.

3.5.4 A review of NBC Internal Audit and LGSS Internal Audit plans has been undertaken to ensure they complement each other and to ensure that there are no gaps or inconsistencies or clashes between these plans. This will continue to be reviewed each year in framing and then monitoring the Annual Audit Plans.

3.5.5 Specific actions now complete include the appointment of the Governance and Risk Manager, quarterly meetings being in place between LGSS, PWC and CFO, all recommendations have now been grouped and collated centrally to support the reporting of all recommendations to the Audit Committee incorporating progress against the recommendation and an overall review of recommendations has now commenced.

3.5.6 An area of identified weakness for the Council is the monitoring and reporting of delivery against audit recommendations, both internal and external. To address this, the PWC Traction implementation system software has been installed and Traction training has started to be cascaded to relevant staff.

### **3.6.1 Cabinet Clearing Processes**

3.6.2 One area of weakness identified by Internal Audit in their report on Sixfields was the level of detail that was available to Cabinet to support their decision-making.

3.6.3 Changes have now been made by officers to the processes used to review and clear Cabinet reports. These include that reports need to be assessed and cleared at Management Board and that more time needs to be given in the process to consideration by the Council's statutory officers.

3.6.4 Tighter monitoring of Cabinet decisions, their implementation and compliance with the agreed recommendations of Cabinet has also been implemented. This will include tighter consideration of the circumstances in which delegated decisions should be referred back to Cabinet if there have been changes in

the context applying that decision. Monitoring and compliance is being reported to the Leader of the Council and Audit Committee.

- 3.6.5 In addition Cabinet reporting deadlines are now published in advance on the Council's intranet and a report writing guide has been published on the intranet.
- 3.6.6 Cabinet clearance processes have also been designated a Licence to Practice module for leaning for officers.
- 3.6.7 Improvements to the call over process, development of the audit committee, cabinet clearance and the standard of cabinet reports are all key deliverable tasks in this area of the Governance Action Plan.

### **3.7.1 CIPFA/SOLACE Delivering Good Governance**

- 3.7.2 The key tasks set in this area of the Governance Action Plan for are firstly to undertake a substantive review of the effectiveness of the Council's corporate governance processes and secondly to put in place the improvements that will enable the Council to achieve the External Validation accreditation (Mark of Excellence) awarded by CIPFA/SOLACE for the efficacy of its governance processes.
- 3.7.3 To date an exercise has begun to measure the extent of the Council's compliance with the CIPFA/SLOACE framework, the appointment of the Governance and Risk Manager has occurred, information has also been received from the CIPFA/SOLACE representative on the governance standards the Council must meet to achieve the mark of Excellence award. Proposals for an external review of governance arrangements are being progressed to update the Council's local Code of Governance.
- 3.7.4 In addition the update of the Council's Code of Governance and related processes has been designated a high-priority Licence to Practice learning module.

### **3.8.1 Financial Governance**

- 3.8.2 Key tasks set for Financial Governance as part of the Governance Action Plan are to:-
  - Improve the purchase order process
  - Review and improve reserves drawdown process
  - Review & improve supplementary estimates
  - Review and improve virement
  - Improve the operation of the capital programme
  - Raise financial awareness
- 3.8.3 To date any non-compliance with purchase orders is now reported as part of financial dashboard at management teams and the Finance Team have engaged and communicated with all managers the benefits in improved purchase orders practice

3.8.4 On-going training on the purchase order process through monthly meeting with budget managers is currently being rolled out and the Licence to Practice module Overview of Finance and Budget-Management was delivered to relevant staff in March 2017.

### **3.9.1 Other Governance Areas**

3.9.2 The key tasks set for this area of the Governance Action Plan are to:-

- Review the Whistleblowing policy
- Review Officer & Member Gifts and Hospitality
- Review Cabinet clearance process

3.9.3 To date the Whistleblowing policy has been reviewed and endorsed by the Standards Committee on the 20.03.17 and will go to Cabinet.

3.9.3 The External Whistleblowing policy was also approved by the Standards Committee and has also been tabled for Cabinet approval. And Review of Officer & Member Hospitality has been completed and will similarly be tabled for cabinet approval. As indicated above stronger financial clearing processes and Cabinet clearance processes are now in place

3.9.3 Whistleblowing has also been included in the Licence to Practice learning module to be delivered to officers and alongside the Code of Governance module above.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 There will be various impacts and indeed transformation of current policies. The Governance Action Plan will ensure that all policies that are relevant are tightened and individually and in aggregate contribute to embedding effective arrangements for risk management and to building a strong control environment at the Council.

4.1.2 Compliance with these policies will now be strongly monitored and reported upon through the governance structure and to the Audit Committee.

### **4.2 Resources and Risk**

4.2.1 The additional capacity required to implement the Governance Action Plan previously reported to the Audit Committee has now been put in place through normal decision-making processes. Financial implications will be reported through the budget process.

### **4.3 Legal**

4.3.1 Whilst there are no specific equality implications at this stage, various policies will be reviewed through the Governance Action Plan. All these reviews will be supported by equality and community impact assessments.

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### **4.5 Consultees (Internal and External)**

4.5.1 Internal consultation has taken place with Management Board and other senior officers, LGSS finance, and Internal Audit and External Audit on the matters in the Governance Action Plan and external expert advice has been taken where required.

### **4.6 Other Implications**

4.6.1 None specifically

## **5. Background Papers**

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5.1 None

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