

## Governance Update

### RECOMMENDATION

- 1.1 To note the report.

### SUPPORTING INFORMATION

- 2.1 This report provides Members with an update on several governance issues that have been reported through to Committee in the past 12 months.

#### **Governance Working Group**

- 2.2 It was reported to the 3 April 2008 meeting of the Committee that a Governance Working Group had been formed to review and report on the adequacy of the Council's governance Framework. The Group has met bi-monthly to produce a self-assessment of how the Council meets the 6 principles of good governance. The self-assessment is now complete and an action plan is being drawn up to address those areas where the Group feels that the Council needs to show further compliance with individual criteria within each Principle. It will also be used to inform the drafting of the Local Code of Corporate Governance. Both of these documents will be brought to this Committee for review. This Group is also responsible for the drafting the Annual Governance Statement which will be presented to the June meeting of this Committee.

#### **Risk Management Issues**

- 2.3 A number of development activities on risk management have been reported to Committee. The latest position on these is detailed below:

- Drafting a guide to partnership risks

*A draft document was produced and circulated to a number of officers for comment. The feedback received was positive. A few minor amendments have been made and the intention is to roll the guide out in conjunction with the partnership training that is being arranged with Zurich Municipal for May/June 2009.*

- Producing a generic risk list to inform future strategic risk registers

*A list of around a dozen 'substantial' risks has been created. This was used as the basis for producing a list of key risk areas for inclusion in the strategic risk register. This list of key risks was reviewed by the Strategic Risk Group on 2 March 2009 and is now being used to underpin the Strategic Risk Register that will be taken to Chief Officer Group for review in April.*

- Drafting a checklist of good practice in conjunction with Health and Safety to help increase the Council's mitigation rates on EL claims

*The checklist has been produced and sent to the Corporate Health and Safety Manager for review.*

- Finalise the procurement of dedicated Risk Management software

*Following the evaluation of 4 risk management systems, we have purchased the JCAD Risk system. This system best suited the needs of the Council and is widely used in local government. All of the pre-install work has now been done. The system is not yet up and running as we are having to wait for the new IT Facilities Management provider to take over the contract.*

- Ensure that risks around Fraud & Corruption are properly assessed within risk registers.

*We have been concerned for some that fraud risks were not being properly assessed in the risk assessment process. This view was supported by our external auditor. Fraud was one of the key areas of risk in the list of strategic risks mentioned in the earlier bullet point. To enhance officers understanding of the risk of fraud, the Risk and Insurance Technician drafted a 'guide to Fraud Risk' in conjunction with Internal Audit. The draft has been reviewed by the Strategic Risk Group and the Head of Audit and Risk Management. The guide is under constant review due to the current economic climate and the predicted increases in fraudulent activity.*

- Develop a training programme for relevant Members and staff on risks.

*Our insurers, Zurich Municipal, provided as part of the contract a one-off fund for risk management improvements. The majority of this fund has been ear-marked for providing training on risk management to members and Officers. The scope of this training and the various methods of delivery have now been agreed with ZM.*

- Review the Risk Management strategy and methodology.

*These are key documents that we keep under constant review. A revised strategy has been drafted and was taken to the Strategic Risk Group in March 2009. Feedback has been requested from members of the group and it is intended to bring the new Strategy to the next meeting of this Committee. The methodology is also under review and minor amendments are being made to it.*

- Visit departments to review the processes used to compile individual risk registers.

*A list of the departmental risks held by the Risk and Insurance Section was circulated to the respective departmental risk champions in October 2008 for them to review and inform the risk assessment stage in the current business planning process. The Head of Audit and Risk Management and the Risk and Insurance Technician are attending departmental management teams where appropriate and providing advice to individual sections where requested.*

- Develop a process for measuring the maturity and strength of the Council's operational risk management procedures.

*As reported in December 2008, we have produced a performance ladder that links both the Comprehensive Area Assessment Use of Resources KLoEs and examples of good practice to demonstrate our risk maturity. As yet this has not been rolled out as we want to assess the impact of CIPFA's Better Governance Forum's recently produced Risk Management Toolkit on this performance ladder*

- Work towards the successful embedding of Risk Management within Council culture particularly with focus on partnerships and project management

*All of the developments we are doing impacts on this objective.*

- Examine how the Council covers risk implications in reports where key decisions are required.

*A solution to this as part of the embedding of risk management in the Council has not yet been agreed by officers.*

- Review the processes for the maintenance and monitoring of the Council's business continuity plan

*Close links have been established with the Senior Emergency Planning Officer. This officer is now a permanent member of the Strategic Risk Group.*

- Examine how risk issues are communicated to members and staff.

*We are working on a number of initiatives to enhance the communication of risk management issues to both Members and staff. The main areas at the moment are the utilisation of the Council's intranet together with risk awareness sessions.*

## **External Audit Interim Audit Recommendations – Progress on Implementation**

- 2.4 At the meeting on 24 September 2008, the Council's external auditors brought a report which included the findings of the interim audit 2007/8. The interim audit made a number of recommendations which were agreed by officers. Appendix 2 shows the progress made on implementing those recommendations made in respect of Internal Audit, the Audit and Accounts Committee and the Council's risk management processes.

## **National Fraud Initiative 2008/9**

- 2.5 The matches from the Audit Commission's National Fraud Initiative 2008/9 were made available in early February 2009. Individual reports are currently being reviewed. There is a problem on 2 of the data matching reports where the data on tenancy start dates within the Housing data submitted has not been picked up correctly by the NFI database. Work is ongoing to rectify this and re-run the matches. Currently, 22% of the individual matches have been resolved across all 70 reports.

## **National Fraud Initiative 2007**

- 2.6 The Single Person Discount matching exercise has now been completed. This has resulted in an additional £198,336.81 of charge being raised, following adjustments to 931 accounts (from a total of 9,841 selected for checking).

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**Background papers:**

**List of appendices:**

Appendix 1 – Implications

Appendix 2 – Progress on Implementation of recommendations made in the Interim Audit 2007/8

<b>IMPLICATIONS</b>
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**Financial**

1. None directly arising

**Legal**

2. None directly arising

**Personnel**

3. None directly arising

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities for change**

5. None directly arising.

## Appendix 2

	Recommendations	Priority	Management Responses	Timescales	Progress on Implementation
1	The Internal Audit strategy should include an explanation of how Internal Audit's resource requirements will be assessed and/or consider alternatives to Internal Audit investigations.	Medium	Agreed	November 2008	Being Implemented  Internal Audit is in the final stages of entering into a framework agreement with a specialist provider of internal audit services to cover shortfall in resources.
2	The Council should consider updating the Terms of Reference to include the requirement that 'The Head of Internal Audit must establish and maintain good working relationships and communication with members.'	Low	Agreed	November 2008	Implemented  The Terms of Reference were approved by Audit and Accounts Committee on 4 December 2008.
3	Internal Audit should formally agree timescales for draft and formal reports to be issued for each audit.	Low	Agreed	Actioned	Implemented  Performance indicators have been included in the 2009/10 Resources business plan to measure this.
4	The Council should consider reviewing the financial skills within the membership of the Audit and Accounts Committee against the Committee's Terms of Reference with a view to providing targeted training. The Council could also consider co-opting financial expertise on to the Committee.	Medium	Agreed. We will review the skills matrix of the Audit and Accounts Committee in order to establish the gaps in their financial expertise.  Following discussion with the Corporate Director – Corporate & Adult Services, we do not feel that co-opting an independent Audit & Accounts Committee member would be beneficial to the objectives of this committee. We have previously provided a training programme to members covering risk management and financial management.	31 <sup>st</sup> December 2008	Being Implemented  This issue is being dealt with as part of a review of identifying the skills and knowledge of Audit and Accounts Committee members through a self-assessment. The intention is to draw up a general training plan for the Audit and Accounts Committee members to cover areas of identified skills and knowledge gaps.
5	In addition to external auditors' periodic reviews of Audit and Accounts Committee arrangements,	Medium	Agreed	31 <sup>st</sup> Dec 2008	Limited Progress  A self –assessment against the CIPFA

	Recommendations	Priority	Management Responses	Timescales	Progress on Implementation
	the Council should consider introducing a formal requirement for periodic self-assessment against CIPFA Standards to review the effectiveness of the Committee. The findings should be reported outside of Audit and Accounts Committee, within the Council's normal reporting framework.				Standard was last carried out in December 2006. The Head of Audit and Risk Management is currently speaking to other Councils to ascertain how their self-assessments are reported.  The Chair of Audit and Accounts Committee.
6	The Council should consider reporting risk assessments from the Strategic Risk Register to the Full Council, Cabinet or Audit and Accounts Committee.	High	Agreed	Audit & Accounts Committee December 2008	Being implemented  The Strategic Risk Register will be reported to the June meeting of the Audit and Accounts Committee. The broad areas of risk were discussed at the Strategic Risk Group in March 2009 and will be reviewed by Chief Officer Group in April.
7	The Council should consider periodically re-evaluating annual risk assessments to monitor progress in mitigating risks and identify any emerging risks.	High	Agreed	November 2008	Implemented  The Risk & Insurance Section has introduced procedures to monitor the progress in the mitigation of risks. Identification of new and emerging risks is an on-going process.
8	The Council should ensure that proper attention is given to identify and manage fraud risks within the annual risk-assessment process.	High	Agreed	October 2008	Implemented  The Risk & Insurance Section has produced a "Guide to Risk Management and Fraud". This was reviewed by the Strategic Risk Group on 2 March 2009.  Fraud risks have been identified as part of the strategic risk-assessment process.