DEVELOPMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

RECOMMENDATION

1.1 To confirm the approach outlined in the report for the further development of the corporate governance framework.

1.2 To approve the timetable for reporting the developments of corporate governance processes within the Council to Members.

SUPPORTING INFORMATION

2.1 One of the core functions of an Audit Committee is to consider the effectiveness of the authority's risk management arrangements, the control environment and anti-fraud and corruption arrangements. The Council has a number of policies and strategies in place to regulate these activities. The Audit and Accounts Committee needs to take a view on whether these strategies have been properly formulated and remain effective. This Committee has corporate governance, risk management, fraud and internal control written into its Terms of Reference.

2.2 The Committee's work plan that was tabled at the September meeting gave suggested dates for when reports would be brought outlining the developments in these important areas of governance. The Committee needs to be consulted on all developments in the development of policy and strategy in these areas. Appendix 2 provides an outline action plan/timetable of the issues that need to be reviewed over the next year.

Risk Management

2.3 The Council's risk management policy was approved by Cabinet on 30 July 2002. This report also outlined the Council's "strategy" to embed risk management. The Council has a number of documents in place which outline the various stages in the risk management process. Currently, these have not been drawn together into one overall document. A revised Risk Management strategy document is being produced to reflect the next stages in the continued development in risk management at Derby. This will go to Chief Officers Group as part of the consultation. This Committee will need to review the strategy document and make a recommendation to Cabinet that the Strategy be approved.

2.4   Chief Officers are responsible for identifying corporate/strategic risks. Operational risks are identified in departmental risk registers. All risks are assessed on the likelihood of occurring and the impact on the Council if they do occur. These are then plotted on a risk matrix which reflects the Council's "risk appetite". An action plan has been drawn up for each risk that details any mitigating risks and allocates the responsibility for that risk and associated controls to an individual officer. The Strategic risks are allocated to a named Chief Officer. A Strategic Risk Register is maintained and reviewed by Chief Officers Group and reported through to cabinet. COG will assess each business risk that impacts on the strategic business objectives of the Council. All risk registers are reviewed at least annually. Members of this Committee need to be aware of the risks that appear on the corporate and departmental risk registers if they are to properly fulfil their role on the Audit and Accounts Committee.

2.5   The process followed by the Council in assessing the risks it faces is based on the Zurich Municipal "STORM" methodology. This has been in use since 2003. To ensure its effectiveness, a review is required of the methodology and to compare it to best practice and the criteria laid down in the "Use of Resources" element of CPA. The Head of Audit and Risk Management is currently assessing other methodologies and intends to report his findings to the Council's Strategic Risk Group.

2.6   A Risk Management Development Plan is being developed by the Strategic Risk Group which will outline a number of areas that require further development. This will be brought to the Audit and Accounts Committee as part of the consultation process.

Anti-Fraud and Corruption

2.7   An anti-fraud and corruption strategy, incorporating the Council's policy on counter fraud and corruption, was approved by Cabinet in November 2002. The Council has adopted a Confidential Reporting Code, which incorporates all the requirements of a whistleblowing policy. This was approved by Council in April 2002 and is included under Codes and Protocols in the Council's Constitution.

2.8   The anti-fraud and corruption strategy and the Confidential Reporting Code need to be reviewed and updated on a regular basis. It is proposed that these documents are reviewed every 2 years. The anti-fraud and corruption strategy has not been formally updated and therefore requires reviewing and updating. A revised anti-fraud and corruption strategy will be brought to this Committee in June 2006 for approval. The Confidential Reporting Code also requires updating.

2.9   To provide an operational plan to the anti-fraud and corruption strategy, a Fraud Response Plan is being developed. A draft version will be brought to this Committee with the Strategy document in June 2006 for consideration.

Local Code of Corporate Governance

2.10   An assessment of the Council's position against the CIPFA / SOLACE Framework on Corporate Governance was reviewed by Cabinet in July 2002. The approach involved comparing our arrangements at that time against the five key dimensions of a local authority's business as defined by the framework.

2.11   Whilst it was not a prescription for a single model of governance, CIPFA / SOLACE urged each local authority to prepare, adopt and maintain an up-to-date local code of corporate governance, including arrangements for ensuring its implementation and ongoing application. A decision was taken at the time to produce a Corporate Governance Policy statement which outlined the Council's commitment to effective corporate governance and to use the five key dimensions of the framework as the basis of the Council's Local Code of Corporate Governance. There has been no formal review of this Code since it was approved. The Head of Audit and Risk Management intends to carry out a Corporate Governance health check of the Council and also produce a new Local Code of Corporate Governance for review by this Committee in April 2006.

Statement on Internal Control

2.12   This Committee has responsibility for the review and approval of the Statement on Internal Control (SIC). The compilation of the SIC requires the council to conduct an annual review of the effectiveness of the system of internal control. The sources of assurance to support the SIC need to be identified and reviewed by senior officers and members. The council has an assurance framework in place that maps the council's strategic objectives to risks, controls and assurances. A copy is attached at Appendix 3. This framework will be used to provide this Committee with the information it needs to review the SIC.

2.13   In line with statutory requirements the SIC will require approval by the Audit and Accounts Committee at its June 2006 meeting. The Committee will need to be made aware of the procedures in place for compiling the SIC.

For more information contact:	Richard Boneham, Head of Audit and Risk Management, 01332 255688
	richard.boneham@derby.gov.uk
Background papers:	
List of appendices:	Appendix 1 - Implications
	Appendix 2 – Action Plan/Timetable
	Appendix 3 – Assurance framework

IMPLICATIONS

Financial

1.   None directly arising.

Legal

2.   The statutory reporting requirement for the SIC is linked to the publication of the authority's financial statements, which is 3 months after the deadline for approval

Personnel

3.   None directly arising.

Equalities impact

4.   None directly arising.

Corporate objectives and priorities for change

5.1   The corporate objectives and priorities are specifically considered when risk assessment exercises are undertaken and the compilation of the strategic and departmental risk registers reflect this emphasis.

5.2   The elements of good corporate governance are important to the Council's value to be "open, transparent and honest in everything we do".

Proposed Task/Action	Responsible Officer	Officer Group	Target Date to Audit & Accounts Committee	Role of Audit & Accounts Committee
Risk Management				
Review and update the Council's Risk Management Strategy	Head of Audit & Risk Management	Strategic Risk Group	April 2006	Review and recommend approval of strategy by Cabinet.
Review the current risk management methodology	Director of Finance and Head of Audit & Risk Management	Strategic Risk Group	September 2006	Review
Produce a Risk Management Development Plan for 2006/7	Head of Audit & Risk Management	Strategic Risk Group	April 2006	Review
Undertake a formal annual review of departmental risk registers	Departmental Strategic Risk Group Representative	Departmental Management Team	September 2006	Scrutiny of Registers
Fraud and Corruption				
Review and update the Council's Anti-Fraud & Corruption Strategy	Head of Audit & Risk Management and Benefits Manager	Chief Officer Group	June 2006	Approval
Produce a Fraud Response Plan to underpin the overall strategy	Head of Audit & Risk Management and Benefits Manager	Chief Officer Group	First draft - June 2006	Consultation/Review

Proposed Task/Action	Responsible Officer	Officer Group	Target Date to Audit & Accounts Committee	Role of Audit & Accounts Committee
Review and update the Council's Confidential Reporting Code (Whistleblowing Policy)	Director of Corporate Services	Chief Officer Group	Earliest date – September 2006	Review
Corporate Governance				
Revise Local Code of Corporate Governance	Head of Audit & Risk Management	Chief Officer Group	April 2006	Review
Internal Control				
Document procedures for compiling the Statement on Internal Control	Head of Audit & Risk Management	Chief Officer Group	April 2006	Review
Produce annual Statement on Internal Control	Head of Audit & Risk Management	Chief Officer Group	30 June 2006	Approval

Appendix 3

The Council has an assurance framework in place which maps strategic objectives to risks, controls and assurances.

```
CORPORATE PLAN          RISK ASSESSMENT        RANKED IN            CONTROL AND
OBJECTIVES AND    →     BY CHIEF OFFICER  →    CORPORATE RISK  →   ASSURANCE
PRIORITES               GROUP                  REGISTER             FRAMEWORK
                                                                    AGREED BY COG
```

Internal Audit Planning → Audit review / Audit reports / Managerial action plans / Audit Committee

Project – PRINCE2 (see eg 1) → Project Board / Risk Profiles / Responsible officer / Highlight report to COG

Performance Target (see eg 2) → Performance Eye → Monitoring / Corrective action plans

Business Risks (See eg 3) → Special Working Group → Highlight report to COG / Action Plans / Strategies

Feedback loop 2 – Departmental priority can escalate to Corporate Plan (or vice versa)

Feedback loop 2 – Departmental Risks can be escalated to Corporate register (or vice versa)

Feedback loop 3 – Reviews to Plans

```
MANDATORY              RISK                   DEPARTMENTAL         CONTROL            See above – system the
DEPARTMENTAL    →     ASSESSMENT BY    →     RISK REGISTER  →    FRAMEWORK    →     same but at Departmental
BUSINESS PLANS         DMT                                         AGREED             Management Team level
```