
INTERNAL AUDIT'S REVIEW OF CORPORATE GOVERNANCE

1 SUMMARY

- 1.1 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. CIPFA/SOLACE have produced guidance on how Local Authorities can meet the requirements of the Code of Corporate Governance (the Code), which was adopted by the Council in July 2002.

2 INTRODUCTION

- 2.1 The Corporate Director (Finance & External Services) reported to this Committee on 22 July 2004 the Council's current position on compliance with the Code and that Internal Audit would review these arrangements as part of their annual review.
- 2.2 Corporate Governance arrangements are altering and developing on a continuing basis. This report gives a general overview on the principle of the Council's compliance and selection of evidence and emphasises the need to continue to monitor progress.
- 2.3 The CIPFA/SOLACE guidance divides the elements of corporate governance into five dimensions:-
- ❑ Community focus
 - ❑ Service delivery arrangements
 - ❑ Structures and processes
 - ❑ Risk management and internal control
 - ❑ Standards of conduct

3 FINDINGS

- 3.1 Even though the production of a broad statement of corporate governance at the time of producing the statement of accounts and the statement of internal control is not currently mandatory it is becoming recognised as 'best practice' for local authorities to comply with it. External inspectors will be looking for how the Council have reviewed and monitored their compliance with the Code and associated action plan.
- 3.2 The Corporate Director's report in July confirmed that we are compliant with a large proportion of the Code and additionally areas for development were identified. On occasions the actions identified were not always clearly defined with SMART targets and Responsible Officers identified to enable monitoring of progress.
- 3.3 It is recognised that a lot of the work associated with complying with Corporate Governance is monitored through the wider Committee process for

example Community Strategy, Parish protocols, Freedom of Information Act, Risk Management. Documents such as the Council's Constitution are key to the operation of the Council and compliance with the Code. This report will not go into detail on the different strategies and policies that are provided as evidence to support the framework of corporate governance but it will draw out those areas that require closer monitoring.

- 3.4 Not all relevant evidence has been listed within the dimensions. For example, the vast amount of information we now provide through the Council's website has been understated.
- 3.5 Some items of evidence, such as inclusion of financial statements within the Corporate Plan, were no longer valid and should be excluded from future updates.

4 KEY AREAS FOR DEVELOPMENT

- 4.1 The CPA Improvement Plan has already raised areas for improvement and development that will have a direct impact on increasing our level of compliance with this Code.
- 4.2 **Community Focus/ Service Delivery Arrangements**
 - 4.2.1 Partnership arrangements and service level agreements need to be regularly reviewed to ensure they continue to meet the Council's key objectives.
 - 4.2.2 Developing consultation within service areas and the Council's use of the results from consultation needs to be monitored corporately. A new arrangement has been put in place whereby the Audit & Process Review unit will co-ordinate consultation to avoid unnecessary duplication and analyse the outcomes for feedback into the service areas.
 - 4.2.3 Evidence states that the Council is working towards Investors in People, which is due for inspection in February 2005. Some stages relating to the IIP process have been achieved but are not included as evidence of progression.
 - 4.2.4 The enhancement of the Performance Management system has been included in the CPA Improvement Plan as a key area for development; it will therefore be monitored through that process.
- 4.3 **Risk Management and Internal Control**
 - 4.3.1 The Risk Management and Internal Control dimension of the Code is the area that has received the lowest score and actions were identified for improvement. These are: implementation of the Risk Management Strategy, development of the Performance Management system and development of the Business Continuity Plan. These are key areas of focus that will be reported to Members over the next twelve to eighteen months.

4.4 Structure and Processes/ Standards of Conduct

4.4.1 There is a high level of compliance within these two dimensions with good procedures and working practices.

4.4.1 There should be ongoing training to ensure all Members and staff continue to be familiar with the Council's strategies, policies and procedures.

5 Conclusions

5.1 Having identified the Council's level of compliance the key areas for development need to be drawn out into more detailed action plans for monitoring, reporting and implementation.

6 Risk Implications

6.1 The risks associated with the Code of Corporate Governance lies within the systems and procedures that form the evidence used to measure the Council's compliance, which would be assessed as part of the departmental risk registers. There is an overall risk associated with not monitoring, reviewing and updating the evidence necessary to ensure improvement and continuing compliance.

7 RECOMMENDATION

7.1 It is proposed that the Committee **RESOLVES**

To continue to receive updates on the Council's compliance with the Code of Corporate Governance.

Paul Warren

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Background Papers:-

None

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