

## **AUDIT REVIEW OF CORPORATE GOVERNANCE & RISK MANAGEMENT**

### **1 SUMMARY**

- 1.1 The following report is an independent review on the current position of Corporate Governance & Risk Management in line with the requirements of these strategies.

### **2 INTRODUCTION**

- 2.1 Following the report of the Corporate Director (Finance & External Services) to this Committee on 21 July 2005 (Code of Corporate Governance), an update of the current position has been assessed by Internal Audit. Also, following the report of the Contingency Planning and Health & Safety Manager to this Committee on 25 October 2005 (Risk Management) the current progress has been assessed.

### **3 CORPORATE GOVERNANCE**

- 3.1 The annual review of the Code of Corporate Governance was reported to this Committee in July, which included the revised corporate assessment on where we were on meeting the standards of best practice. The Audit review has taken the evidence and current position for each dimension and assessed its appropriateness.

#### **Key Findings**

- 3.2 Overall there is a high level of compliance with the recommended best practice across the five dimensions. Evidence from each dimension was assessed to determine its appropriateness to meet the standard and where possible additional evidence identified. Copies of the documents listed as evidence were obtained and where possible practical evidence to support their implementation identified.

#### **Dimensions Identified for Improvement**

- 3.3 This report will draw Members' attention to those Dimensions that have a score less than 7 out of 10, this relates to three key areas. Appendix 1 shows these areas with the list of evidence provided. Internal Audit have assessed this and stated where they feel the additional work is required to increase the score.

### **Community Focus**

- 3.4 The key here is “appropriate monitoring processes to ensure that they (procedures to engage the community) continue to work in practice”. There was evidence within the Stock Option Appraisal of working with groups to communicate and implement changes. The why we are engaging and learning from the community needs to be consistent and easily identifiable. Further opportunities need to be taken to communicate effective engagement across this authority and compare good practice with other authorities.

### **Service Delivery Arrangements**

- 3.5 Equality & diversity are now becoming higher profile with Council wide training on “equality & diversity within customer care” to take on board increasing legislative best practice requirements. Once this training has been completed and procedures have been reviewed to consider these issues, this score should improve.
- 3.6 Another aspect to this dimension is comprehensive performance plans. This is an area CPA is driving forward and there is a service action plan (SAP) to improve performance management. The action plan is currently behind target but is being monitored through the SAP process. By the next review significant progress should have been made within this area to meet the overall key target of implementation by the end of the financial year.

### **Risk Management & Internal Control**

- 3.7 There is a good framework in place to develop the risk management culture, however at present it is moving at a slow pace with deadlines being postponed. The Corporate Risk Plan needs to be updated to progress the development of the service risk registers and the controlling and monitoring process. Consequently resources are now being focussed to pick this up.
- 3.8 Risk Management is an important process that links with Corporate Governance and Performance Management. Once the risk management framework is fully operational the controls evaluated to reduce the risks can form part of the assurance statement needed for the Statement of Internal Control.

### **Conclusions**

- 3.9 The Corporate Governance framework draws together the numerous management structures that forms the bases of the five dimensions, Community focus, Service Delivery Arrangements, Structures & Procedures, Risk Management and Standards of Conduct, by assessing these areas we are able to provide assurance on our compliance with the framework, the general high scores reflects this enabling audit to place a high level of assurance.

- 3.10 To continue to improve the low scoring areas need to be closely monitored and reviewed with SMART targets to ensure progress is being made at a reasonable pace to ensure that they can move from a score of 7 up towards 10, with the necessary supporting evidence provided for audit purposes.
- 3.11 The Corporate Director (Finance & External Services) reported to the Policy & Finance Committee (13<sup>th</sup> September 2005) the Audit Commission consultation on Corporate Governance Inspection. The consultation proposes to use the Key Lines of Enquiry methodology to review corporate governance, which will prove more challenging for all Councils. Once this guidance is finalised it can form part of the annual review.
- 3.12 The Corporate Risk Framework will continue to require a focussed amount of time to update and finalise the corporate risk register. The Corporate Risk Group will be focussing its efforts on ensuring it is in a position where it can monitor and develop the risk registers. Once this process is in place then the Council's score in this area should improve as the process becomes embedded.

#### **4 RISK IMPLICATIONS**

- 4.1 The Corporate Risk Registry provides the focus for divisions and helps shape the production of the service risk registers without this some risks could be missed.

#### **5 RESOURCE IMPLICATIONS**

- 5.1 To ensure an effective review of corporate governance and to fully implement the risk management strategy officers' time needs to be concentrated on this task.

#### **6 PARISH IMPLICATIONS**

- 6.1 The Corporate Governance Framework particular picks up on the need for the role of parishes to be established in any ongoing partnership arrangements.

#### **7 RECOMMENDATION**

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

To continue to monitor the progress of the Corporate Governance Framework with particular attention given to the low scoring dimensions, with a report back in six months' time specifically on the three areas highlighted in this report, to ensure that progress is being made.

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**Background Papers:-**

None

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Requirement	Source Documents or Other Indicators of Compliance	Evidence & Current Position per Report by CD (F & ES)	OK?	Internal Audit Comments
<b>Community Focus – Dimension 1</b>  (d) Put in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the Authority and put in place appropriate monitoring processes to ensure that they continue to work in practice. <b>(Score 6/10)</b>	Strategic Partnership framework	The Council is engaged in a number of partnerships at operational and strategic level – Crime & Disorder. RAG, Health Board, community legal service etc	Yes	Community Overview & Scrutiny Committee reviews partnership arrangements periodically and clarifies the outputs received from the partnership of value to the wider Rochford community
	Stakeholders forum's terms of reference	Tenant's liaison processes in place	Yes	Tenant Participation Officer in post whose role includes encouraging more tenants to participate in association groups.
	Area forum's roles and responsibilities	Economic Business Strategy & Business Consultation finalised October 2003	Yes	Economic Development Strategy is designed to safeguard the economic, environmental and social well being of the district. It is available on the website.
	Residents' panel structure	LSP in place	Yes	This is a partnership of statutory agencies and the voluntary sector who work together to improve the economic, social and environmental well being of the district.
	Annual report	Service Level Agreement concluded with RAVS	Yes	One of our strategic partners with whom we work closely in relation to Community Transport and Crime & Disorder Reduction.
			Yes	

Requirement	Source Documents or Other Indicators of Compliance	Evidence & Current Position per Report by CD (F & ES)	OK?	Internal Audit Comments
		<p>PSA concluded with ECC</p> <p>Consultation Panel in place</p> <p>The role of parishes is to be established in the ongoing partnership arrangements and the Parish Sub Committee</p> <p>A SLA is to be drawn up with CAB</p> <p>Local Service Agreement being developed with Essex County Council. This has now been overtaken by the Local Area Agreement arrangements.</p>	Yes	<p>In place since February 2002. Six targets were set by ECC within the agreement, and our progress is reported in Section 8 of the Performance Plan</p> <p>Panel provided its perception of the area in terms of safety, health services, public transport, roads etc. Panel comprised Rochford residents.</p> <p>Recommendation following report to Committee on 21<sup>st</sup> July 2005.</p> <p>This is still outstanding</p> <p>Recommendation following report to Committee on 21<sup>st</sup> July 2005.</p> <p>See report to Policy &amp; Finance Cttee of 12<sup>th</sup> October &amp; 15<sup>th</sup> November</p>
<p><i>The evidence above shows a number of areas progressing within this dimension. External Audit has recommended further work is undertaken on our Partnerships this Dimension could then improve. There is a need to ensure the monitoring processes are in place to give assurances on the effectiveness of the strategies in practice.</i></p>				

Requirement	Source Documents or Other Indicators of Compliance	Evidence & Current Position per Report by CD (F & ES)	OK?	Internal Audit Comments
<b>Service Delivery Arrangements – Dimension 2</b>  (a) Set standards and targets for performance in the delivery of services on a sustainable basis and with reference to equality policies <b>(Score 5/10)</b>	Best Value Performance Plans	Performance Plan (PP) produced annually	Yes	PP sets out targets and results over a five-year period.
	Best Value Reviews	Service Action Plans (SAP)	Yes	SAP now have a higher profile and are being managed in a more efficient manner.
		Surveys collect information on equality issues for analysis	Yes	The fact that equality & diversity data is being collected does not mean that anything is being done. It has, however, been identified as an area for improvement that equality issues should be addressed to ensure consistency of application across the Authority.
		Social inclusion policy in place	Yes	In addition to the Social Inclusion Policy the Authority also has a Corporate Equalities & Diversity Policy, which should be included in evidence.  All staff are to take part in “Building Equalities into Customer Care” training during 2005/06.  Self-score of 5/10 would appear to reflect position at end 2004/05.

Requirement	Source Documents or Other Indicators of Compliance	Evidence & Current Position per Report by CD (F & ES)	OK?	Internal Audit Comments
<i>The equalities and diversity training will help raise the awareness of these requirements. Following the training a review will need to be undertaken on how the knowledge can be used within the service areas. As part of the Service Action Plan process targets are set on the achievement of key objectives, which are monitored and reviewed for completeness.</i>				
<b>Service Delivery Arrangements – Dimension 2</b>  (c) Monitor and report performance against agreed standards and targets and develop comprehensive and understandable performance plans <b>(Score 6/10)</b>	Best Value Performance Plans  Scrutiny Committee Reports	Performance management information produced quarterly  Performance Plan produced annually  Performance published annually in RDM  Scrutiny committee established  Service Action Plan reviewed and monitored bi-annually  Accountability for delivery of actions enhanced with front page summary of Performance Indicators	Yes  Yes Yes Yes  Yes Yes	First three areas of evidence is confirmed.  Scrutiny Committees were created on adoption of current Council structure. CPA identified need to review and this is under way. SAP in place for end-date 5/06 with F&P O&S Committee taking the review forward from Member perspective.  SAP process reviewed with monthly reporting structure introduced to advise on progress to OMT under control of Audit & Process Review.  Use of Key Lines Of Enquiry to be made for performance improvement  Positive action has been introduced over the last 12 months. Potential for self-score to increase.



Requirement	Source Documents or Other Indicators of Compliance	Evidence & Current Position per Report by CD (F & ES)	OK?	Internal Audit Comments
<i>Development of the Performance Management Framework is progressing, once the procedures are written and start to be embedded within the authority the score could move up.</i>				
<b>Risk Management &amp; Internal Control – Dimension 4</b>  Develop and maintain robust systems for identifying and evaluating all significant risks which involve the proactive participation and of all those associated with planning and delivering services. <b>(Score 6/10)</b>	Risk Management protocol	Localised system in Audit Review for identifying the annual audit plan.	Yes	Produced annually and agreed by Finance & Policy Overview & Scrutiny Committee
	Control framework	The overview & Scrutiny process has been established	Yes	The process and role of these committees was reviewed in July 2005.
	Scrutiny Committee role	A performance management system is in place.	Yes	Indicators set targets which assist with the planning of the services, and the outcomes will show if the services have been delivered.
	Performance Management system	A formal framework risk strategy was adopted by Council in July 2002	Yes	Strategy identifies risks under strategic and operational, and roles and responsibilities for the risk management framework are defined.
<i>The key to moving the Risk Management Framework forward is the agreement of the corporate risk register and the subsequent updating of the service registers. The Corporate Risk Group could monitor and develop the registers, further developing the process that would work towards embedding it within the Authority.</i>				