

Cabinet	FP/811/04/12
Date: 24 April 2012	

Review of Governance Arrangements – Audit 2010/11

Report by the Audit Commission

Report by the Leader of the Council

Enquiries to Terry Osborne, Assistant Director for Corporate Law

Purpose of report

- This report accompanies, contextualises and summarises the Audit Commission's Review of Governance Arrangements in Essex County Council 2010-2011.

Decision Areas and Recommendations

Cabinet is invited to:

- note the progress reported by the Audit Commission as well as their recommendations for further improvement; and
- note that further progress made by ECC since the report was published, including actions in response to these recommendations, has and will be tracked by the Corporate Governance Steering Board. The Audit Committee will also play a key monitoring role..
- note the ongoing monitoring of the Audit Commission recommendations by the cross-party Corporate Governance Steering Board

Background and context

Since 2008, the Audit Commission has monitored elements of Essex County Council's governance arrangements via a series of external and internal audits. The attached report summarises these previous reviews and the issues identified by them, along with the actions taken by ECC in response. It provides an up to date assessment of the position as at October 2011.

To inform this report the Audit Commission reviewed the following areas as part of their work on the Council's value for money arrangements in 2010/11:

- progress against recommendations made by Internal Audit on governance and expense issues;
- the Council's progress in implementing its corporate governance action plan; and
- the current health of the Council's governance arrangements (a follow-up to their 2009/10 ethical governance audit).

In addition, they tested member expenses against the revised scheme within the Council constitution.

ECC's Audit Committee, Corporate Governance Steering Board and Corporate Governance Group have been monitoring and driving progress in these areas during this time. A significant proportion of the change has been delivered through two phases of the 'Corporate Governance Project' sponsored by the Executive Director for Finance and delivered by the Transformation Support Unit, which has now handed over to 'business as usual' work by the Governance team. Work has also progressed significantly since the October 2011 cut-off for this report.

For practical purposes the report is written about ECC's governance arrangements as they were in October 2011, providing a snapshot of progress at that point. The report itself is dated January 2012 as the Audit Commission were still working closely with ECC to interpret their findings and finish drafting the report up to that time. Recognising this time elapsed, the Audit Commission included some updates of our progress between October and December. Significant progress has continued since that date and updates have been received by the Corporate Governance Steering Board and Audit Committee.

The report allocated recommendation 1 to the Head of Human Resources but, in practice, this has been taken forward by the Head of Shared Services.

Proposals

Actions in response to these recommendations will be tracked by the Corporate Governance Steering Board, as the appropriate cross-party group tasked with overseeing our Corporate Governance arrangements, to ensure delivery. The Audit Committee will also play a key monitoring role.

As the Corporate Governance project has come to a close the organisation is able to move away from a largely project-focused response to governance issues. Instead we will monitor, maintain and continue to improve ECC's corporate governance as part of 'business as usual' (BAU) core activity. A BAU workplan is under development, incorporating all the necessary actions from external and internal recommendations as well as identifying any further areas for improvement, maintaining and building on progress in the areas tackled by the Corporate Governance Project and outlining a rolling review of ECC's corporate governance framework.

Permanent BAU resource has newly been allocated to maintaining and further improving corporate governance in ECC in the form of a Corporate Governance Manager, working to the new Monitoring Officer to facilitate and monitor delivery going forward.

Conclusions

The report's findings inform 7 recommendations (see below). The key findings are:

Members Expenses

"The Council now has a robust process in place for Member expenses and the claims being approved are appropriate for Council business."

Other Internal Control Issues

"Overall the Council has made significant progress against internal audit recommendations in relation to governance issues reported in 2009/10. However some issues remain" and these issues are reflected in recommendations 1 and 2 (see below).

Corporate Governance Action Plan

"The Council has made significant progress in a number of areas... [but] a number of key areas identified within the plan remained outstanding for 2010/11. Progress has been made in some areas in 2011/12" and recommendation 3 relates to ensuring that this work is or has been completed (see below).

Ethical Governance

"There is a clear commitment by the Council's leadership to improve governance across the Council...there are clear signs of improvements...transparency is improving" but there are a number of areas for continued improvement and recommendations 4-7 provide more detail in these areas (see below).

Below is the 7-point action plan which has been agreed between ECC and the Audit Commission in response to this report (as per the report's appendix 2).

Five of these recommendations have been allocated to the Monitoring Officer, one to the Head of Human Resources and one to the Head of Shared Services.

The 'comments' below are verbatim from the report and were agreed at publication by ECC and the Audit Commission; updates have since been provided to Corporate Governance Steering Board and Audit Committee.

Recommendation 1

The Council should issue further instructions to staff explaining they must submit receipts with claims and consider withdrawing procurement cards in response to expenditure being incurred with no receipt repeatedly.

Responsibility	Head of Shared Services (please note this was allocated to the Head of HR in the original report)
Priority	High
Date	31 March 2012
Comments	The system currently in place does not permit claims to be approved without adequate receipts and so this should not be a problem in practice. However, further guidance will be issued to staff so that they are fully aware of the new system and what is required to accompany claims.

Recommendation 2

Any outstanding findings from Internal Audit Governance Reports should be addressed by the Head of Audit and Risk Management or the Monitoring Officer by the end of the financial year.

Responsibility	Monitoring Officer
Priority	High
Date	31 March 2012
Comments	The existing Phase 2 Corporate Governance Project Action Plan addresses all findings and recommendations but this will be refreshed or renewed over the coming months.

Recommendation 3

Progress against the Corporate Governance Action Plan should continue to be monitored and the Audit Committee should be updated regularly on progress and any slippage against agreed actions.

Responsibility	Monitoring Officer
Priority	High
Date	Ongoing
Comments	This is ongoing.

Recommendation 4

Induction arrangements for members and officers (including interim and contract staff) should include specific training on ethical standards.

Responsibility	Head of Human Resources and Monitoring Officer
Priority	High
Date	31 March 2012
Comments	The induction and training process for staff and members has been strengthened to incorporate training on ethical standards by way of the e-learning package. The success of this new e-learning package will be monitored over the coming months so we can assess how successful it has been.

Recommendation 5

Review scrutiny arrangements to instil confidence in the process from members, officers and the public.

Responsibility	Monitoring Officer
Priority	High
Date	30 June 2012
Comments	A review of the Council's scrutiny arrangements has been commissioned and will be reported within the next six months.

Recommendation 6

Demonstrate that the Leadership's commitment to high standards of governance is shared by the whole cabinet.

Responsibility	Monitoring Officer
Priority	High
Date	Ongoing
Comments	The Monitoring Officer will work closely with the Chief Executive and the Leader to make sure that commitment to high standards of governance is not just shared by the whole cabinet but is communicated to all parts of the organisation.

Recommendation 7

Monitor progress in achieving cultural and behaviour change in relation to ethical standards.

Responsibility	Monitoring Officer
Priority	High
Date	Ongoing
Comments	The Monitoring Officer will review the arrangement which the Council has in place for dealing with inappropriate behaviour and will ensure that all members and officers are aware

of this. A significant step has already been made in this regard by the roll out of the e-learning programme which provides clear guidance to all members and officers on who to report inappropriate behaviour to. Further, the Council has already in place a new system for logging and tracking whistleblowing allegations.

Relevance to ECC's corporate plan and other Strategic Plans

Corporate Governance is integral to the effective functioning of any local authority. In Essex County Council the Leader, Cabinet and Chief Executive are committed to promoting and embodying good corporate governance, which enables all of the five priorities in the Corporate Plan.

Internal and External Consultation

This paper has been received by the Audit Committee (19 March 2012) as well as the appropriate officer groups.

Legal Implications (Monitoring Officer)

The Council has a fiduciary duty to protect the resources of the authority and the public purse. Having in place robust governance arrangements is a good way of seeking to ensure that there are appropriate systems and controls in place which provide that protection.

There are no other legal issues arising from this report that have not already been addressed in the body of the report.

Finance and Resources Implications (Section 151 Officer)

The resources associated with delivering the Corporate Governance Action Plan have comprised both additional funding to support key elements, such as the bespoke training programmes, and intangible opportunity costs absorbed within the workloads of numerous staff across the organisation.

ECC dedicated specific funding of £115,000 during 2010/11 and £207,000 in 2011/12 to ensure that the Action Plan could be achieved and has committed a further £200,000 within the 2012/13 budget.

Human Resources Implications

n/a

Equality Impact Assessment

An initial assessment indicated that there were no equality impacts arising from this report.

Background papers

Review of Governance Arrangements in ECC 2010/11 – attached

