

HIGH PEAK BOROUGH COUNCIL

Audit & Regulatory Committee

24 November 2020

TITLE:	Corporate Governance Review
EXECUTIVE COUNCILLOR:	Councillor Alan Barrow - Executive Councillor for Corporate Services and Finance
CONTACT OFFICER:	John Leak - Head of Audit
WARDS INVOLVED:	Non-Specific

1. Reason for the Report

- 1.1 The Accounts and Audit Regulations 2015 requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. In accordance with the Public Sector Internal Audit Standards, the Head of Audit must communicate results of audits to the appropriate parties.

2. Recommendation

- 2.1 That the committee note the Audit Service’s 2020/21 review of the Council’s corporate governance arrangements.

3. Executive Summary

- 3.1 The purpose of this report is to summarise the Audit Service’s recent review of the Council’s corporate governance arrangements in 2020.
- 3.2 This corporate governance review was undertaken as part of the Audit Service’s 2020/21 Audit Plan and was subsequent to a significant change in the Council’s senior management team following the resignation of the former Assistant Chief Executive and retirement of the former Chief Executive in February 2020 and March 2020 respectively.
- 3.3 The corporate governance procedures were reviewed to ensure that the following control objectives are being achieved:

- Mechanisms have been established to identify principal statutory obligations and corporate objectives;
- effective corporate governance arrangements are embedded within the authority;
- the authority has robust systems of internal control, which include systems and procedures to mitigate principal risks; and
- appropriate assurance is received from designated internal and external assurance providers.

3.4 It is our opinion that controls currently in place within the corporate governance system provide satisfactory assurance that risks material to the achievement of the systems objectives outlined in 3.3 above are adequately managed.

4. **How this report links to Corporate Priorities**

4.1 The assurance provided by the work of Internal Audit informs the Annual Governance Statement and therefore helps to ensure our future financial resilience can be financially sustainable whilst offering value for money.

5. **Alternative Options**

5.1 There are no options to consider.

6. **Implications**

6.1 Community Safety - (Crime and Disorder Act 1998)

None.

6.2 Workforce

None.

6.3 Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Diversity and Equality Policies.

6.4 Financial Considerations

None.

6.5 Legal

None.

6.6 Climate Change

None.

6.7 Consultation

None.

6.8 Risk Assessment

None.

ANDREW P STOKES
Chief Executive

**Web Links and
Background Papers**
None

Contact details

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7. Detail

7.1 Introduction

7.1.1 The purpose of this report is to summarise the Audit Service's recent review of the Council's corporate governance arrangements in 2020.

7.1.2 This corporate governance review was undertaken as part of the Audit Service's 2020/21 Audit Plan and was subsequent to a significant change in the Council's senior management team following the resignation of the former Assistant Chief Executive and retirement of the former Chief Executive in February 2020 and March 2020 respectively.

7.2 Scope and Objectives

7.2.1 This audit of corporate governance was carried out in accordance with the 2020/21 annual audit plan. We carried out a systems review of corporate governance procedures together with compliance testing, to ensure that we could form an opinion on the adequacy of system controls and to identify any weaknesses which may exist within the system.

7.2.2 The corporate governance procedures were reviewed to ensure that the following control objectives are being achieved:

- Mechanisms have been established to identify principal statutory obligations and corporate objectives;
- effective corporate governance arrangements are embedded within the authority;
- the authority has robust systems of internal control, which include systems and procedures to mitigate principal risks; and
- appropriate assurance is received from designated internal and external assurance providers.

7.3 Internal Controls

7.3.1 Within each of the objectives outlined in 7.2.2 above, a series of expected internal controls which are outlined below were tested to ensure that they are present and working effectively.

7.3.2 Mechanisms have been established to identify principal statutory obligations and corporate objectives:

- Responsibility for statutory obligations are formally established;
- there are effective procedures to identify, evaluate, communicate and implement legislative changes;

- effective action is taken where areas of non-compliance are found in either mechanism or legislation;
- stakeholders are consulted on priorities and objectives;
- the authority's priorities and organisational objectives have been agreed, adequately communicated, and are reasonable;
- objectives are reflected in departmental plans.

7.3.3 Effective corporate governance arrangements are embedded within the authority:

- An Ethical Framework has been adopted and provides sufficient information to ensure good governance;
- a code of corporate governance has been approved and adopted;
- there is a designated committee charged with governance responsibilities;
- the scrutiny panels are effective in challenging the decisions made by the executive;
- adequate corporate governance training is provided;
- an appropriate induction process is in place for all employees and elected members;
- the organisation has appropriate, documented Codes of Conduct in place for employees and elected members;
- breaches of the Code of Conduct are appropriately addressed.

7.3.4 The authority has robust systems of internal control, which include systems and procedures to mitigate principal risks:

- There is a written constitution in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff/members;
- there is a whistleblowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff;
- there is a counter fraud and corruption strategy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff;
- there are codes of conduct in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff;
- employees/members are required to record pecuniary/non-pecuniary interests;

- a register of gifts and hospitality is maintained;
- records of disclosures are made available via appropriate channels;
- disclosures are subject to regular review;
- policies regarding the claiming of expenses are in place;
- expenses claims are appropriately authorised and subject to regular review;
- policies regarding the claiming of leave are in place;
- leave requests are appropriately authorised;
- senior officer attendance at external bodies is adequately authorised;
- the performance of senior officers is monitored;
- a corporate complaints policy has been drawn up and is adhered to;
- exempt reports comply with the meaning of 'exempt information' within the constitution;
- the waiver of procedure rules is adequately documented, appears reasonable and has been appropriately approved;
- a policy regarding the use of civic transport is in place.

7.3.5 Appropriate assurance is received from designated internal and external assurance providers:

- The authority has determined appropriate internal and external sources of assurance;
- departmental assurances are provided;
- the authority has published an annual governance statement.

7.4 **Audit Findings & Recommendations**

7.4.1 Our detailed audit findings are reported on an exception basis. We only include the issues where we feel that controls should be strengthened and do not include the areas where we found arrangements to be satisfactory

7.4.2 An analysis of the recommendations categorised by risk (High, Medium, Low) is shown below:

Description	High	Med	Low
Ethical Framework			1
Induction Process			1
Promotion of Policies and Procedures			2
Claiming of Expenses		2	
Attendance at External Bodies		1	
Civic Cars			2
Interests / Gifts and Hospitality			3
Annual Leave and Additional Time Off		1	2
Appraisal Scheme			1
Total	0	4	12

- 7.4.3 Medium risk recommendations are by definition considered essential to implement to ensure adequate system controls / necessary improvement in service provision. The medium risk recommendations and the findings that prompted them are therefore discussed in further detail below.
- 7.4.4 The 'Joint Terms of Conditions of Employment' contain information regarding the claiming of mileage and subsistence expenses. However, this only applies to employees on green book terms and conditions which covers grades AR3 to AR9. No separate policy has been documented for staff above grade AR9, therefore it has been recommended that a policy regarding the claiming of mileage and expenses for staff above grade AR9 should be documented, approved and distributed to all relevant staff.
- 7.4.5 Expenses claimed by the Chief Executive had generally been authorised by an Executive Director, therefore it has been recommended that all expenses claimed by the Chief Executive should be subject to appropriate scrutiny (with involvement from the council leaders) and independently approved. It should be noted that responsibility for expense claims rests with the claimant.
- 7.4.6 There is no formal assessment/approval procedure for the attendance of senior officers at external bodies, therefore it has been recommended that the regular involvement/attendance of Senior Officers at meetings/events of external bodies should be subject to a formal independent and transparent approval process by the council leaders to ensure it provides sufficient benefit to the Alliance.
- 7.4.7 The 'Annual Leave and Time Off Policy' states that all leave should be approved by the appropriate line manager, however, it was found that annual leave requested by the previous Chief Executive had generally been authorised by his personal assistant, therefore it has been recommended that all annual leave and additional time off claimed by the Chief Executive should be subject to appropriate scrutiny (with involvement from the council leaders) and independently approved.

7.4.8 The low risk recommendations are summarised below:

- The Ethical Framework requires review to ensure it contains accurate and consistent information relating to the supporting codes and protocols.
- The importance of ensuring that the induction process available for all new starters including the Code of Conduct is satisfactorily completed should be reiterated.
- All employee codes, policies and procedures relating to corporate governance (e.g. Code of Conduct, Whistleblowing Policy, Counter Fraud & Corruption Strategy etc.) should be easily accessible.
- Employees should be provided with regular reminders/training to refresh their knowledge of the Code of Conduct.
- The policies regarding the use of the civic car should be reviewed to ensure consistency between both authorities and should include permitted use and eligibility.
- Councillor information available via the website requires review to ensure that up-to-date declarations are published for all Councillors.
- The requirement for officers to declare pecuniary and non-pecuniary interests and gifts and hospitality should be regularly promoted, relevant forms made easily accessible and controlled records retained.
- The 'Annual Leave and Time Off Policy' requires updating to include further detail in relation to time off for public duties.
- Staff should be reminded of the requirement to request all types of leave and additional time off eligible under the 'Annual Leave and Time Off Policy' through the annual leave system, with all such requests being appropriately reviewed and approved.
- The Chief Executive's appraisal should be undertaken by senior elected members at least annually in accordance with the guidance within the 'National Salary Framework & Conditions of Service Handbook' for Local Authority Chief Executives.

7.5 Assurance Opinion

7.5.1 All of the recommendations made in the audit report outlined in 7.4 above have been agreed with the Head of Organisational Development and Transformation / Senior Officer (Governance and Member Support) where appropriate and implementation will be monitored in accordance with the Audit Service's established follow-up procedures.

7.5.2 It is therefore our opinion that controls currently in place within the corporate governance system provide satisfactory assurance that risks material to the achievement of the systems objectives outlined in 7.2.2 above are adequately managed.