

FROM: Audit & Risk Manager
TO: Deputy Chief Executive (AJ)
C.C. Chief Executive
Head of Finance
Democratic Services Manager
Civic & Committee Services
Manager
Portfolio Holder (Cllr Day)

SUBJECT: Corporate Governance
DATE: 24 September 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or Teams video calls.

2 Background

- 2.1 Each year the Audit Plan includes an allocation of time to examine selected key elements of the Council's framework for providing public assurance on corporate governance. The area(s) to be covered are normally agreed with senior management when the audit is scheduled to be undertaken.
- 2.2 Previous topics have included:
- significant governance issues in the Annual Governance Statement;
 - the effectiveness of the Citizens' Panel;
 - the Member Development Programme;
 - implementation of Executive decisions;
 - organisational culture;
 - Service Assurance Statements;
 - gifts and hospitality;
 - risk management framework.

2.3 On this occasion, the topics focused upon were 'exempt' reports, and delegated decisions taken under the Chief Executive's 'emergency powers'.

3 **Scope and Objectives of the Audit**

3.1 The standing objective of auditing corporate governance is to evaluate the effectiveness of overarching structures, procedures and monitoring arrangements that underpin the assurance framework for demonstrating good governance with reference to relevant standards.

3.2 The audit programme identified the expected controls. The control objectives examined were:

- Reports are only made exempt in appropriate cases
- Members of the public cannot access confidential information
- The Council is as transparent as possible in all decisions taken
- Authority exists that allows for urgent decisions to be taken
- Under 'normal' circumstances, Councillors can take the decisions that they are required to make
- The Council was able to continue operating effectively during lockdown
- Under 'lockdown' circumstances, Councillors can take the decisions that they are required to make.

4 **Findings**

4.1 **Recommendations from Previous Reports**

4.1.1 As each audit of corporate governance examines different aspects, the recommendations from the previous report were not specifically reviewed as part of this audit.

4.2 **Exempt Reports**

4.2.1 The Democratic Services Manager (DSM) advised that Committee Services staff will receive training on exemption legislation as part of their induction. Officers producing the reports are directed to the report guidance (and associated appendices) which are available on the intranet for all staff. The Civic & Committee Services Manager (CCSM) advised that if staff are unsure (e.g. new report writers) they will often query the process.

4.2.2 He also advised that any updates to the legislation would be identified through newsletters / updates from relevant bodies (e.g. Local Government Association (LGA), Centre for Public Scrutiny etc.) but highlighted that the last update to the legislation was in 2007 and, as such, there has not been a need to disseminate any changes for a long time.

4.2.3 The CCSM highlighted that specific training on committee report writing had been discussed with HR, but this had not progressed and the DSM advised that indirect reference is made to the process as part of the 'political awareness' course.

4.2.4 Sample testing was performed to ensure that appropriate processes had been followed for making the reports exempt (i.e. consultation had taken place

with appropriate officers and reference was made to the legislation under which the exemption was being applied), that the reports remained confidential (i.e. minutes highlight that members of the public had been excluded when the exempt reports were discussed and the relevant documentation was held on the secure part of the Committee Management System (CMIS)) and that consideration was being given to keeping as much information as possible in the public domain (i.e. by the inclusion of the exempt information in separate appendices). This testing proved largely satisfactory.

- 4.2.5 One item of note was that a confidential addendum did not include consultations details and a confidential appendix did not make reference to the legislation. The DSM advised that consideration was being given to implementing a standard template for addendums.

Risk

Reports and associated documents may inappropriately be made exempt.

Recommendation

A template for addendums and appendices should be introduced to ensure that all relevant documents that are made exempt have received appropriate consideration.

- 4.2.6 The DSM and the CCSM suggested that the decision as to whether to make the whole report confidential or to include the confidential information in the appendices would be considered as part of the report drafting and consultation process. As such, there was no specific evidence to suggest why whole reports were confidential as opposed to appendices in relevant sampled cases. However, they suggested that appropriate consideration would have been given to ensure that as much information as possible was in the public domain.

4.3 Delegated Decisions

- 4.3.1 Delegated item CE(4) from the Council's Scheme of Delegation highlights that:

The Chief Executive be authorised (to) 'Deal with urgent items that occur between meetings, in consultation with the relevant Deputy Chief Executive, Head(s) of Service (if available) and Group Leaders (or in their absence Deputy Group Leaders) subject to the matter being reported to the Executive at its next meeting'.

- 4.3.2 The DSM advised that the need for urgent delegated decisions to be taken was becoming rare under 'normal' operating conditions, with Executive meetings being held every six weeks. He highlighted that an email had recently been issued to managers to remind them of the process now that Executive meetings were being held again (albeit virtually).

- 4.3.3 The DSM also highlighted that those relating to 'severance packages' would no longer need to be reported to Executive, as long as sufficient monies were held in the relevant budgets, so this would further reduce the need for these reports.
- 4.3.4 A review was performed of the decisions that had been taken under these delegated powers from April 2019 to the date of the audit testing and it was confirmed that there had been a relevant need for the urgent decision to be taken in each case and that the decisions had subsequently been reported to Executive as appropriate.
- 4.3.5 The DSM advised that specific guidance was issued for how decisions would be made during lockdown, highlighting that only those decisions essential to the delivery of the service should be taken, with all others being held back to allow for scrutiny to be undertaken as normal.
- 4.3.6 Where decisions were being taken during the lockdown period, meetings of the Leaders Coordinating Group were being held and Councillors were given the opportunity to ask questions about the report or other matters that they required answers to.
- 4.3.7 Testing was undertaken to ensure that relevant decisions continued to be made during lockdown with comments from Councillors relating to these decisions being addressed appropriately and that the decisions were subsequently reported to Executive once the virtual meetings resumed. This test proved satisfactory.

5 **Conclusions**

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the topics covered in this audit are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

- 5.3 One minor issue was, however, identified:
- Some documents that supported exempt reports did not include all relevant information (i.e. consultation details or details of the legislation under which the exemption was being made).

6 **Management Action**

- 6.1 The recommendation arising above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit & Risk Manager

Action Plan

Internal Audit of Corporate Governance – September 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.5	A template for addendums and appendices should be introduced to ensure that all relevant documents that are made exempt have received appropriate consideration.	Reports and associated documents may inappropriately be made exempt.	Low	Democratic Services Manager	A template is being tested. If this is considered appropriate following the test, the template will be rolled out for all relevant documents.	30 October 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.