

INTERNAL AUDIT REPORT

TO: Deputy Chief Executive (AJ) **SUBJECT:** Corporate Governance
CC Chief Executive **MY REF:** JK/CG
Head of Finance
FROM: Audit and Risk Manager **DATE:** 07 October 2014

1 INTRODUCTION

- 1.1 As part of the 2014/2015 Audit Plan, an examination of the council's corporate governance arrangements has recently been completed.
- 1.2 The purpose of this report is to outline the approach to the work and to present the findings and conclusions arising.

2 SCOPE AND OBJECTIVES OF THE AUDIT

- 2.1 In the absence of any requests to examine specific aspects of corporate governance it was decided to focus on what has become an almost standing item in the Significant Governance Issues in the Annual Governance Statement (AGS) and that is the development of a system to monitor the implementation of council decisions. Accordingly the examination questioned:
- a) Are Executive resolutions being implemented as intended in a timely manner?
 - b) Are there any procedures in Service Areas to monitor the implementation of decisions?
 - c) What is the scale of the issue and are there any general or soft controls to ensure that resolutions are implemented?
 - d) Do the results of sample testing indicate that decisions are not being implemented and so formal monitoring is required?

3 APPROACH

- 3.1 The work involved selecting a sample of Executive resolutions made since April 2013 and then checking to ensure that they had been implemented. In most cases this involved some form of evidence but in some cases reliance was placed on assurances from senior managers.

3.2 Some Heads of Service were asked, by e mail, for their views on the subject and how they ensured that Executive resolutions were dealt with fully and in a timely manner.

4 BACKGROUND

4.1 The production of an Annual Governance Statement (AGS) is a statutory requirement for local authorities.

4.2 The AGS should include the following information:

- Scope of Responsibility
- The purpose of the governance framework
- A description of the governance framework and the key elements of the systems and processes that comprise the authority's governance arrangements
- Review of effectiveness
- Significant governance issues – including an outline of the actions taken, or proposed, to deal with any significant governance issues identified.

4.3 This particular issue has featured in the AGS for the last three years.

5 FINDINGS

5.1 Sample of resolutions selected

5.1.1 As Executive is the council's main decision making body only their minutes were used to select a sample. Given that only resolutions requiring some further action were of interest it was necessary to select from April 2013 onwards as recent resolutions would be likely to remain as yet unactioned.

5.1.2 Details of the sample selected are attached as Appendix 1. It will be seen that not all of the points in each resolution were checked for implementation. The emphasis was on those points that were more specific and required some form of action, follow up or report back. Wider, more general resolutions, such as the council participates in "X", were not considered.

5.1.3 A sample of 15 resolutions was selected due in part to the brevity of the audit and the time needed to check the implementation action and in part to the fact that quite a number of Executive resolutions end with the words "noted", "approved", "supported" or "accepted" thus hindering the selection of a worthwhile sample.

5.1.4 It will be seen from the appendix that, generally speaking, Executive resolutions are being implemented although not always in a timely or ideal way. Sometimes the fault may lie with the decision or the wording of the minute e.g. follow up reports or completions of any actions are not always given a deadline leaving Services Areas open to claiming that an outstanding item is going to be dealt with.

5.1.5 Although not examined specifically there was nothing to indicate from speaking to officers that any form of monitoring of decisions was in place.

5.2 **Arrangements within Service Areas to monitor Executive decisions**

5.2.1 As part of the overall question of whether a formal monitoring system is required it was decided to gauge the views of Heads of Service on the issue and at the same time enquire of the arrangements in their own service areas for ensuring that Executive resolutions are implemented.

5.2.2 Five Heads of Service were asked –

Do you think that this issue is worthy of pursuit? Would resolutions made by Executive ever be ignored or not fully implemented? and

What do you do to ensure that any resolutions affecting your service area are dealt with fully in a timely manner?

5.2.3 One Head of Service responded directly commenting that in normal circumstances a formal monitoring system is probably not necessary. There could be issues if officers rely on the recommendations in a report rather than the formal minute and if decisions are made directly by council rather than Executive.

5.2.4 The Head of Neighbourhood Services suggested that Service Heads could pick up the questions at the next Alt SMT meeting and come back with a single response. Although this was far from ideal, in the absence of any other responses this was agreed. When a response is received it will be forwarded to addressees.

5.3 **Scale of the issue and controls in place**

5.3.1 The AGS does not give any indication if there is a problem with member decisions not being implemented but that aside a formal monitoring system would bring about an improvement in the council's overall governance arrangements. The question must be, though, is a system warranted given a) the number of decisions made requiring action or report back and b) the absence of any evidence that decisions are not being implemented?

5.3.2 As mentioned earlier, when trawling through Executive minutes, it was evident, but not quantified, how few resolutions require some form of action or report back and many of them are just noted or approved. There are not hundreds of decisions every year so keeping track of them shouldn't be that problematic.

5.3.3 There are some general or "soft" controls in place that would encourage those responsible to implement any decisions delegated to them. These include –

The public nature of committee reports and minutes enables virtually anybody, should they wish, to track council business and decision making and ask questions.

Members themselves will be aware of decisions they have taken and that sometimes they are expecting some form of follow up or report back.

Other service areas will often have an interest in and be affected by decisions and will be querying implementation e.g. Finance, Internal Audit.

5.3.4 Instinctively it is hard to imagine that any officer or service area will, for whatever reasons, simply choose not to implement a decision in the hope that nobody will notice. The evidence is there for all to see and it cannot be erased.

5.4 **Is a formal monitoring system required?**

5.4.1 Based on the sample selected and the indication that decisions are being implemented, the fact that there are not a great number of decisions to monitor and there is no evidence to suggest that decisions are not being implemented then the answer would be "No".

5.4.2 If, however, a system is in place that can be introduced easily without increasing workload and any cost is bearable then the answer would be "Yes" as overall governance arrangements would be improved.

5.4.3 As things currently stand the risk of decisions not being implemented is low. Their relatively small number and their public nature mean that they are not difficult to monitor.

6 CONCLUSION

6.1 The sample of decisions examined suggests that member decisions are being implemented although not always in a timely manner. Non implementation is not an issue.

6.2 The introduction of a formal monitoring system is a management decision that should be based on risk, cost, increases in workload and the improvement in overall governance.

Richard Barr
Audit and Risk Manager