

FROM: Audit and Risk Manager
TO: Deputy Chief Executive
C.C. Chief Executive
Head of Finance
Portfolio Holder (Cllr Day)

SUBJECT: Corporate Governance
DATE: 3 May 2022

1 Introduction

- 1.1 In accordance with the Audit Plan for 2022/23, an examination of the above subject area has recently been completed by Emma Walker, 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.

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
 - response to the COVID-19 pandemic.
- 2.3 On this occasion, consideration was given to the Council's approach to their involvement with external bodies and organisations.

3 Objectives of the Audit and Coverage of Risks

- 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 management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. The findings detailed in the following sections confirm whether the risks are being appropriately controlled or whether there have been issues identified that need to be addressed.
- 3.3 In terms of scope, the audit covered the following risks:
1. Breach of the Constitution, Local Government Act 1972, and the Local Government (Access to Information) (Variation) Order 2006).
 2. No set criteria in place with which to suitably appoint Members to external bodies.
 3. External organisations not made aware of council regulations / legislative policies and procedures.
 4. Work with official bodies is not effectively promoted via social media / Council website.
 5. The work conducted by a specific organisation does not serve to benefit WDC staff, Members, or residents.
 6. Attempts to bribe Members into promoting the interests of the external body to the detriment of the Council.
 7. Undeclared conflict of interest from Members when representing external organisations.
 8. Goals and values of Members / external bodies do not align with those of the Council
 9. Breakdown of relationship with the external organisation.
 10. Members do not submit their annual representation reports in a timely manner.
- 3.4 A 'risk-based audit' approach has been adopted, whereby key risks have been identified during discussions between the Internal Auditor and key departmental staff. The Significant Business Risk Register has also been reviewed.
- 3.5 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:
- Without appropriate governance in place, Council services may not be able to operate effectively. Good corporate governance helps the Council to achieve all the Fit for the Future (FFF) Strategy strands - People, Services and Money.

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 Legal and Regulatory Risks

- 4.2.1 **Breach of the Constitution, Local Government Act 1972, and the Local Government (Access to Information) (Variation) Order 2006).**

There are no specific, documented policies in place with regards to appointing Members to external bodies. However, all Members have been issued with the relevant guidance, which considers the Data Protection Act 2018.

The Council Code of Conduct also references the Localism Act 2011 and The Relevant Authorities (Disclosable Pecuniary Interests) Regulations Act 2012. The Code of Conduct highlights that Members are 'to behave in accordance with all legal obligations, alongside any requirements contained within this Council's policies, protocols and procedures.' The Code of Conduct is agreed to by all Members, once elected.

4.2.2 No set criteria in place with which to suitably appoint Members to external bodies.

There are set criteria in place with which Members are appointed to external bodies. This is confirmed by Members upon appointment and is subject to an annual review by both the Monitoring Officer (MO) and the Deputy Monitoring Officer (DMO). Testing completed by the auditor confirmed that each current appointment has been evaluated based on these criteria.

The DMO stated that current appointments are politically proportionate. However, the decision to appoint a Member to an external body is often based on the roles and skills that both the Member and the external body can provide.

4.2.3 External organisations not made aware of council regulations / legislative policies and procedures.

Warwick District Council's policies are currently in the public domain and therefore external bodies have immediate access to these. The DMO advised that these policies are not explicitly shared with external organisations prior to appointment. However, it is highlighted in the Code of Corporate Governance that 'external providers of services on behalf of the Council are required to act with integrity, and in compliance with ethical standards expected by the Council.'

Where there is a conflict of interest between the Council and the body, the overriding duty is to vote in accordance with the interests of that organisation when conducting the business of that body. A Member must therefore observe the requirements of the Council's Code of Conduct when serving on another body unless the body has its own Code (or governance guidelines).

Company-specific information cannot be shared with the Council unless it has been formally agreed. Highly sensitive information is kept confidential but external bodies are not required to abide by specific Council policies.

4.3 Reputational Risks

4.3.1 Work with official bodies is not promoted effectively via social media / Council website.

Member appointments are available to view via the Council website. This details the organisations and official bodies that have Council-appointed representatives. It also stipulates how long the external body has been partnered with the Council. The 'representation length' accounts for the minimum amount of time that a Member must serve their appointed body whilst in office. Several outside bodies have retained the same appointed Member for consecutive years.

The information displayed on the website is succinct and appropriate. The latest appointment (to the West Midlands Combined Authority) was completed on 5 May 2021.

The Council is currently supporting the Hill Close Gardens Trust financially. In such circumstances, it is generally considered good practice to have the Council represented on the committees or boards of organisations. However, there are currently no Members appointed to this board. Two Members had previously been appointed to the Trust, but these appointments were terminated following a recommendation from the MO. This was approved by Overview and Scrutiny Committee in May 2017.

Outside appointments not only refer to Members, but also encompass Council officers who are informally connected to recognised groups, e.g., the West Midlands Information Governance Framework. The MO stated that there is currently no central record of Council officer appointments. He did, however, confirm that certain Council officers have been appointed directors for formally recognised companies, such as Milverton Homes Ltd.

The working parties and forums for 21/22 has been published which evidences the Lead Council Officers involved in these groups.

Recommendation

A central database of Officer appointments should be collated and shared amongst the MO and DMO.

The DMO advised that, as it is not a legal requirement, promotion of the work undertaken by external bodies is minimal.

In terms of social media, the Council does not actively promote external partnerships on their social media pages; however, posts have in the past included championing the work of Shakespeare's England.

Advisory

Consideration should be given to promoting the work of external organisations, particularly where there is a community focus e.g., Chase Meadow Community Centre, Safer Warwickshire.

Birmingham Airport and the District Councils Network ask for an annual update regarding the details of the appointed Member, thus acknowledging the Council's representation. The regulations do not stipulate that the external body must promote their connection to the Council, although it is a legal requirement

that certain external bodies must have a Council-appointed Member, e.g., the Warwickshire Police and Crime Panel. It is also a requirement that the Council's LLP - Milverton Homes Ltd - be formally recognised as an external body. Other organisations, such as Shakespeare's England, are not bound by Council policy.

4.3.2 The work conducted by a specific organisation does not serve to benefit WDC staff, Members, or residents.

The DMO advised that there are no specific types of bodies for which the Council should nominate a formal representative. However, the Members advice note states that the outside body is 'likely to be set up as either an incorporated company, an unincorporated organisation, a trust, a partnership or a consultative group'. Councillors are advised to contact the MO if they feel that the Council should not appoint a representative, to a specific outside body.

Over several years, the Council has actively sought to minimise the number of outside appointments; where this used to be between forty and fifty, there are now only nineteen. Members will periodically request to be appointed to an external organisation themselves. Members wishing to be appointed, must provide an outline to Group Leaders explaining why the partnership would be beneficial, and how it meets at least one of the set criteria. As appointments are made on a politically proportionate basis, the Council cannot always provide assurance that the Member who applies for the appointment will necessarily be offered the post. The current Member appointments are predominantly Conservative (7 out of the 9 appointees).

There is a clear differentiation between Cabinet and Council appointments. Cabinet appointments are not decided by the Council and therefore are not subject to political proportionality rules. These are instead confirmed by the Leader at the Council meeting, along with Portfolio Holders and their remits.

Any Councillor appointed to an external organisation is done so in a personal capacity. The DMO advised that Members must declare this as part of the new Code of Conduct, effective from 1 May 2022. Members are also expected to declare their personal involvement in bodies such as The National Trust. This promotes transparency and aligns with the Council's 'openness and honesty' aspect of the Fit for the Future Plan.

4.4 Fraud Risks

4.4.1 Attempts to bribe Members into promoting the interests of the external body, to the detriment of the Council.

Reviews of Membership appointments are undertaken at the Annual Council Meeting. The annual reports not only aim to understand the activities of the outside body but also identify any appointments that could be terminated. The appointments where no contact has been received for over twelve months are contacted by the MO who reviews the need for the appointment to continue.

The procedures surrounding Declarations of Interest (DPI) are clearly stated on the Council website. Members must abide by a Code of Conduct, part of which requires them to declare any interest they have which could influence decisions

they make as Councillors. The formal timescale for any DPI is currently 28 days before a change. In previous years, if a Councillor has been re-elected, they have had to report any DPIs to the MO, rather than submit a new form. The Council now encourages all changes to be submitted in paper format, regardless of the circumstance. This promotes transparency and openness.

The Council reserve the right to alter an appointment, if they feel that a Member is not meeting the specified Code of Conduct. A breach of conduct ensures that the Council reserves the right to withdraw a Councillor from the post. The Code of Conduct clearly highlights that Members will in particular 'address the principles of the Code of Conduct by dealing with representations.' Members are therefore bound by the Council's local Code of Conduct when serving on an outside body, unless it conflicts with any legal obligations arising from their membership of that body.

4.4.2 Undeclared conflict of interest from Members when representing external organisations.

The Councillors A-Z webpage lists each individual Councillor, alongside a clearly designated tab that displays Members' Interests. This includes Personal Declarations of Interest as well as Meeting Declarations of Interest. These have all been dated and the nature of the interest clearly signposted. Members' Interests are regularly updated, with the latest DPI having been submitted on 13 January 2022. A record of past body appointments is also available to view.

The DMO confirmed that the monitoring of DPIs is performed regularly. It is now a formal requirement that appointments to external bodies be officially recognised on a DPI form. This is due to go to Standards Committee on 5 May 2022 and be implemented as good practice thereafter.

4.5 Other Risks

4.5.1 Goals and values of Members / external bodies do not align with those of the Council.

The advice note to Members advocates that, at the time of joining the body, Members should be reminded about what they are taking on and what the body expects of them. The Code of Corporate Governance also highlights that both Members and officers should be clear on their roles with regard to community engagement.

External bodies are subject to scrutiny, based on a seven-point criteria. This helps to ascertain the value of being partnered with the external body and evaluate whether the aims of the partnership align with the Council's goals. Where there has been a limited response from a partnership, the contract has been terminated. This was the case with the Alms-Houses and the same stance will be used for the Leamington Choral Society.

Previously, Members have requested representation that has been rendered unsuitable, e.g., working with Children's Centre Groups. On evaluation, it was decided that their goals do not align with the Council's and therefore they do not meet the mandatory criteria.

Currently, there is no literature on the Council website regarding the goals of the external bodies that the Council is partnered with. The DMO confirmed that the aims of an external body are not something that have been regularly advertised.

Recommendation

A brief summary should be published on the Council website relating to each external body and the work that they carry out and/or the benefits that their work brings to the community.

4.5.2 Breakdown of relationship with the external organisation.

There are some formal agreements in place with external organisations, such as that of the LLP (Milverton Homes Ltd). However, other external bodies are predominantly community-led, such as the Coventry Airport Consultative Committee. Therefore, as it is not a legal requirement, formal agreements between the Council and these particular bodies do not exist.

The performance of an external body is not subject to regular examination. Meetings held to discuss this are done so via the annual review.

If a Member decides to withdraw from an appointment the board will appoint an alternative Councillor to fill the position. There are no substitute Members for outside body appointments as this promotes consistency within the Council.

4.5.3 Members do not submit their annual representation reports in a timely manner.

Although there is no set formal timescale in which Members must hand in their reports, the reports must be written in time for the MO to review the appointments, consult with the Leadership Coordination Group (LCG) and prepare for the Annual Council meeting. It has been agreed that each year, Councillors appointed to represent the Council on outside bodies should submit an annual statement of the work undertaken by the outside body. The activity of the external body is circulated to all Members. Councillors then have the right to ask the Overview and Scrutiny Committee to scrutinise a particular appointment.

Councillors are presented with a submission date two months before the statement is due; they are reminded of this date a week before the deadline. Members who miss the deadline are twice reminded to submit a report. Failure to submit a report relating to a matter of high importance, could be seen as a breach of the Code of Conduct.

Advisory

Consideration should be given to ensuring that all reports are received, and action is taken when no response is provided.

5 **Summary and Conclusions**

- 5.1 The review highlighted a small number of weaknesses in the following areas:
- Areas of potential reputational risk, where Council officer appointments are not appropriately documented.
 - Areas of potential other risk where the work of external bodies (and how these align with the Council's goals) are not actively published or promoted.
- 5.2 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted, as there is no risk if the actions are not taken.
- 5.3 In overall terms, however, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Corporate Governance are appropriate and are working effectively to help mitigate and control the identified risks.
- 5.4 The assurance bands are shown below:

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

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Corporate Governance – May 2022

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.1	Reputational Risks - Work with official bodies is not promoted effectively via social media / Council website.	A central database of Officer appointments should be collated and shared amongst the MO and DMO.	Low	Deputy Monitoring Officer	Agreed to implement.	September 2022
4.5.1	Other Risks - Goals and values of Members/external bodies do not align with those of the Council.	A brief summary should be published on the Council website relating to each external body and the work that they carry out and/or the benefits that their work brings to the community.	Low	Deputy Monitoring Officer	Agreed that this should be completed by the Annual Review, so that this is in place for the new council.	March 2023

* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

High: Issue of significant importance requiring urgent attention.
Medium: Issue of moderate importance requiring prompt attention.
Low: Issue of minor importance requiring attention.