

FROM: Principal Internal Auditor **SUBJECT:** Corporate Governance
TO: Deputy Chief Executive and **DATE:** 5 December 2019
Monitoring Officer
C.C. Chief Executive
Head of Finance
Audit & Risk Manager
Portfolio Holder (Cllr Day)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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.
- 2.3 On this occasion, the topics focused upon were Gifts and Hospitality, and the Risk Management Framework. As the Audit & Risk Manager has responsibility for the Risk Management aspects, the report is being issued in the Principal Auditor's name in a departure from the normal process.

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:

- Staff are aware of, and comply with, Council requirements in relation to gifts and hospitality
- The Council has an appropriate risk management framework in place to allow for risks to be identified and addressed appropriately.

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. The last audit was also undertaken on a consultancy basis and the recommendations included were not responded to in the normal manner.

4.2 Gifts & Hospitality

4.2.1 The Council's policy in relation to gifts and hospitality is set out in the Employee Code of Conduct. The code was amended in January 2019 with this updated code being approved by Members at a full Council meeting.

4.2.2 The Learning & Development Officer (LDO) confirmed that all employees (with computer access) have been included on the Meta training that was run in relation to the updated Code of Conduct.

4.2.3 The LDO ran extracts from the Meta system which showed that 485 members of staff had completed the training (at the time of testing). There were also 36 users who were shown as pending and the LDO suggested that these were either new staff or were staff on long term sick. With regards to new staff, the LDO advised that they will have all Meta training pushed out to them on a rolling basis, so some staff that had started after the initial roll out will have completed it whereas others may not yet have been sent the training for completion.

4.2.4 For staff that do not have their own log on, there is an expectation that managers will provide access to the information, although there is no evidence required (by HR) to show that this has been undertaken.

4.2.5 The LDO initially suggested that the code did not apply to casual staff as they were not classed as employees. However, she subsequently confirmed, following discussion with the Democratic Services Manager & Deputy Monitoring Officer (DSM), that it applied to all staff.

4.2.6 The Arts Manager (who is the manager for the majority of staff that this applies to) suggested that he would have made his (relevant) staff aware of the code following a discussion at Managers' Forum but (due to the passage

of time) could not remember how this had been communicated and could not, therefore, provide evidence to show how this had been undertaken.

Advisory

Relevant managers should confirm (via emails to the relevant 'process owner') that they have passed on the information covered in Meta training to those staff without computer access.

- 4.2.7 The LDO also advised that the Meta system is due to be migrated to a cloud-based system (by the end of the year) and this would allow the messages to be pushed out to all staff.
- 4.2.8 The DSM maintains a folder containing all gifts and hospitality forms submitted and advised that copies are also held in personal files. Upon review of the folder, 33 forms were found to have been submitted from June 2018 to the date of the review.
- 4.2.9 Upon review of the forms, it was confirmed that all forms had been signed off by Heads of Service with four being signed in advance of the gift / hospitality being accepted. Five offers had been declined, one had been accepted but then disposed of (due to the identification that some of the items in a 'goody bag' were inappropriate) and two were accepted but donated to charities, with all others being accepted.
- 4.2.10 The majority of gifts and hospitality accepted (as per the completed forms) were considered to be appropriate (either based on value or the networking opportunities with key partners). However, gifts / hospitality accepted as detailed on four returns were considered to be 'questionable':
- In two cases, staff tried to refuse the gifts but they 'giver' was insistent that they be accepted (perfume and cash).
 - In one case, a computer game was offered over and above the general promotional gifts given to all other attendees at an event. The Head of Development Services (as the relevant head of service) suggested that, in hindsight, he would have suggested that this should have been refused, although he could not recall whether there was any reason given as to why it was accepted.
 - In the other case, a Wasps Rugby hospitality ticket was received. The Head of Development Services advised that he thought this was to have been refused. However, he had authorised the form which stated that it had been accepted.
- 4.2.11 In the above two instances, the gifts had been accepted by the same officer. However, no further action is warranted, as the recipient has now left the Council.
- 4.2.12 The DSM advised that the forms submitted should be covered by the corporate document retention policy. However, at the time of the audit, this had not been completed.

Risk

Relevant completed forms may not be retained as appropriate.

Recommendation

Completed gifts and hospitality forms should be covered by the corporate document retention policy.

4.3 Risk Management Framework

- 4.3.1 The Council has a Risk Management Strategy in place (which acts as the policy). This has recently (21 August 2019) been 'reaffirmed' by Executive as part of the annual risk management report presented by the Audit & Risk Manager (ARM).
- 4.3.2 The strategy sets out the risk management objectives of the Council along with roles and responsibilities of various different groups and individual officers within the Council.
- 4.3.3 Copies of the departmental risk registers and the corporate Significant Business Risk Register (SBRR) are available to all staff via a dedicated page on the intranet. The latest versions held on the intranet page were all dated June 2019, with the exception of the Chief Executive's Office which was dated July 2019.
- 4.3.4 However, during the discussions with departmental representatives (see below), it was confirmed that the ARM had recently asked for updated versions to be provided. Additional links were also placed on the intranet during the course of the audit to make the risk registers more easily accessible.
- 4.3.5 Discussions were held with representatives from each department to ascertain how they ensure that their departmental risk registers are being maintained. On the whole, it was confirmed that the registers are being reviewed / updated on at least a quarterly basis by management teams.
- 4.3.6 Some (informally) review the register on a more frequent basis and Neighbourhood Services have a 'live' version in SharePoint that can be updated on an ongoing basis. SharePoint also shows details of who has modified the document and when this has been undertaken.

Advisory

The use of SharePoint for the storage / maintenance of departmental risk registers could be considered for adoption by other departments.

- 4.3.7 Portfolio Holders had been involved in the reviews of the registers, although, in general, there had been some issues getting the new Portfolio Holders involved to the same extent.
- 4.3.8 Changes are recorded in various different ways, with most using arrows on registers to indicate movement in risks between (formal) updates. Some

departments use summary documents of one form or another that show changes in risk rating following each review.

Advisory

The summary documents, showing movement in risk ratings, should be shared amongst SMT to ascertain whether a standard approach could be adopted.

- 4.3.9 The ARM advised that the SBRR is reviewed on a quarterly basis by SMT and is subsequently presented to Executive for their review. This was confirmed upon review of the minutes of recent meetings of both 'groups'.
- 4.3.10 The ARM also advised that meetings of the Risk Management Group are scheduled for every four months. Membership of the group generally comprises Heads of Service, with the exception of Housing Services who send another service representative, along with the ARM and the Insurance & Risk Officer (IRO). The ARM advised that attendance is 'reasonable'.
- 4.3.11 The main focus of the meetings is a round-table discussion on any current or emerging issues that departments are experiencing / facing.
- 4.3.12 The IRO advised that she takes the minutes of the group although there did not appear to have been any minutes taken from the June meeting that she was unable to attend, and she had not had an opportunity to write up the minutes from the last meeting (October).

Risk

Relevant information may not be available to those who are unable to attend specific meetings.

Recommendation

Minutes should be taken for all meetings of the Risk Management Group, with nominated 'deputies' taking minutes when the Insurance & Risk Officer is unable to attend.

- 4.3.13 The IRO also advised that minutes would be emailed to members of the group. The ARM had suggested that they could / should be saved to the Risk Management page of the intranet although this had not yet been undertaken.

Advisory

Minutes of the Risk Management Group should be saved on the Risk Management page of the intranet.

- 4.3.14 The minutes provided confirmed that risks affecting each department are being discussed, although there did not seem to be any common themes emerging that would impact other departments and would, therefore, need reflecting on other risk registers.

Risk

Senior staff members' time may not be used effectively.

Recommendation

Consideration should be given to the remit of the group and whether there is a need for a specific group or if these discussions could be covered by SMT when they consider the Significant Business Risk Register.

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 A number of issues were, however, identified:

- The 'corporate' document retention policy was not complete at the time of the audit, so the requirements regarding retention of completed gifts and hospitality forms has not been set out.
- Minutes of the Risk Management Group were not taken when the regular minute taker was absent.
- Risk Management Group minutes suggest that there is no general consideration of emerging issues that may affect other departments.

5.4 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. If the changes are made, however, the existing control framework will be enhanced:

- Relevant managers should confirm (via emails to the relevant 'process owner') that they have passed on the information covered in Meta training to those staff without computer access.
- The use of SharePoint for the storage / maintenance of departmental risk registers could be considered for adoption by other departments.
- The summary documents, showing movement in risk ratings, should be shared amongst SMT to ascertain whether a standard approach could be adopted.
- Minutes of the Risk Management Group should be saved on the Risk Management page of the intranet.

6 **Management Action**

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

Ian Davy
Principal Internal Auditor

Action Plan

Internal Audit of Corporate Governance – November 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.12	Completed gifts and hospitality forms should be covered by the corporate document retention policy.	Relevant completed forms may not be retained as appropriate.	Low	Democratic Services Manager & Deputy Monitoring Officer	Details of how this will operate to be discussed with the Information Governance Manager with the aim of putting process in place by end of the financial year.	31/03/20

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.12	Minutes should be taken for all meetings of the Risk Management Group, with nominated 'deputies' taking minutes when the Insurance & Risk Officer is unable to attend.	Relevant information may not be available to those who are unable to attend specific meetings.	Low	Audit & Risk Manager	Agreed.	Immediate effect.

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.14	Consideration should be given to the remit of the group and whether there is a need for a specific group or if these discussions could be covered by SMT when they consider the Significant Business Risk Register.	Senior staff members' time may not be used effectively.	Low	Audit & Risk Manager	We have considered this and feel that common themes are emerging, albeit not necessarily reflected in the minutes. There is tremendous benefit in hearing about other services' risks as there are always lessons to be learned corporately and we feel that this is the right forum to provide that opportunity. These issues do need to be captured better and, perhaps more importantly, communicated "outwards" more effectively so that, indeed, lessons can be learned across the organisation. This will be considered at the next meeting.	N/A

* 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.