

**REVIEW OF THE EFFECTIVENESS OF THE
CORPORATE GOVERNANCE PANEL
(Report by the Head of Financial Services)**

1. INTRODUCTION

- 1.1 The Panel agreed at its last meeting to undertake a review of its own effectiveness, with the aim of identifying any opportunities for improvement.
- 1.2 Five Panel members attended a workshop on 5 August to undertake this review. They were supported by the Head of Financial Services, the Audit & Risk Manager and Paul Winrow from Robson Rhodes, our external auditors.

2. CONDUCT OF THE REVIEW

- 2.1 A set of questions/issues covering the Panel's responsibilities, as determined by its terms of reference, were developed by the Audit & Risk Manager and circulated in advance. They were based upon Cipfa best practice documentation supplemented by current best practice within the NHS and private sectors.
- 2.2 A robust discussion took place, with both Members and Officers challenging each others perceptions as to the effectiveness of the Panel.
- 2.3 The list of questions and the conclusions reached on them are shown in Annex A. The Panel will note that discussion on Question 13 on the Corporate Governance Statement was deferred to this meeting. In order to enhance discussion of the question, it was agreed to precede this meeting with a briefing for the whole Panel on the production of the 2008 Statement which is a separate item on this Agenda.

3. OUTCOME OF THE REVIEW

- 3.1 Members generally felt the Panel was acting effectively and fulfilling its terms of reference in almost all areas.
- 3.2 The external auditor, who provided advice to the Panel on approaches that he had seen elsewhere, particularly the NHS, was complimentary about the approach that had been taken to the review. He felt that the Panel was generally effective and open to changes that improved assurance and the governance of the Council. He gave, as an example, the "trailblazing" approach to the consideration of the Statement of Corporate Governance in September, rather than June, and the consequent change of the audit year to coincide with this.
- 3.3 The Panel identified a number of areas where changes might be beneficial and asked officers to prepare an action plan commenting on them and suggesting appropriate actions. These are shown in Annex B.
- 3.4 It was felt that an annual review of effectiveness was not necessary. It is proposed that a further review be conducted prior to the 2011 governance statement being agreed.

4. RECOMMENDATIONS

- 4.1 It is recommended that the Panel:
- confirm that Annex A is a fair assessment of its effectiveness;
 - consider and approve the action plan (Annex B);

ACCESS TO INFORMATION ACT 1985

Self assessment review papers

CIPFA publication – Audit Committees: Practical Guidance for Local Authorities

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ANNEX A

QUESTIONS CONSIDERED AND CONCLUSIONS REACHED

	Issue	Panel's Response
	Terms of Reference	
1	Have the Panel's terms of reference been approved by the Council?	Yes – Council established and approved the terms of reference for the Panel on 21 July 2004.
2	Do the terms of reference follow the CIPFA model?	Yes – The terms of reference have been compared to the CIPFA model terms and felt to comply. Following discussion on others items, this item was re-considered and the Panel requested that a review of the terms of reference be undertaken. Item for action plan.
3	Do the terms of reference include oversight of the risk management process?	Yes
4	Is the Panel currently working within its terms of reference?	Yes. All matters that are contained in the ToR are reported to and overseen by it.
5	Are you satisfied that that Panel has sufficient authority and resources to fulfil its terms of reference and perform its role effectively and independently?	Yes. The effectiveness review was challenging and identified a number of areas where improvements could be made to the
6	Do you feel that the all Members' of the Council are aware of the Panel, the work that it does and the importance of good governance?	No. Panel does not promote its own work our highlight the benefits that good governance can bring to the Council. Item for action plan.
	Risk Management	
7	Does the Panel review the risk register at least annually?	Yes. The next report is due at the Sept meeting.
8	Does the Panel monitor how risk is assessed?	Yes. The risk management strategy is approved by the Panel and reviewed annually. Very High and High levels of residual risk are reported to the Panel, together with Option Forms recording further possible treatments.
9	Does a Member of the Panel contribute to the risk management group?	Yes. Although the 'Risk Management Champion' appointment is made by Cabinet.
10	How does the Panel satisfy itself that the risk management ethos is being embedded into all areas of the Council?	It receives risk management reports on a frequent basis explaining the risks that are being identified across the Council. It also receives an annual report from the risk management group on the work that it has undertaken. Whilst all Members' of the Panel have received risk management training there is a concern that not all Members' of the Council are aware of the importance of identifying and dealing with risk. Item for action plan.

	Issue	Panel's Response
	Corporate Governance Statement	
11	Does the Panel have responsibility for review and approval of the corporate governance statement?; and Does it consider the statement separately from the accounts?	Yes – September Yes – June
12	Does the Panel consider the findings of: the annual review of the effectiveness of the corporate governance arrangements? and; the review of the effectiveness of the system of internal audit?	Yes - September Yes – always prior to considering the governance statement
13	Have issues that are being raised in the statement been considered by the Panel prior to the statement being presented to them?	The governance statement is being presented to the Panel in September. It is proposed that an informal briefing be held prior to the meeting to consider the statement and this question.
14	How could we improve the information that the Panel receive regarding the review of the effectiveness of corporate governance arrangements?	See 13 above. In future years, should a member of the Panel be invited to attend the officer group meetings that consider the evidence and prepare the statement? Item for action plan.
15	How do you satisfy yourself that the systems of governance have operated effectively throughout the reporting period?	The Audit & Risk Manager presents a half year and annual report that includes his opinion on the internal control environment and systems of internal control. Progress against achieving the action plan agreed from the previous governance statement is also presented to the Panel. The Panel also receive reports, at various times of the year on whistle-blowing, anti-fraud & corruption strategy, complaints, Ombudsman reports. A member of the Panel also attends the risk management group. All allow for concerns regarding the systems of governance to be highlighted to the Panel.
16	Has the Panel considered how it integrates with other committees that may have responsibility for risk management and internal control?	Chairman of Scrutiny also a member of the Panel. This is considered to be a good appointment. See also Q 57.
	Internal Audit Process	
17	Does the Panel review the strategic audit approach?	Yes – The Internal Audit Strategy 2007 - 2010 was approved by the Panel in March 2007.
18	Does the Panel review the annual audit plan?	Yes – The plan has always been presented to and discussed by the Panel prior to its acceptance by the Director of Commerce & Technology. The Chairman & Vice-Chairman of the Panel are also involved in the preparation of the plan.
19	Does the Internal Audit & Risk Manager personally present their annual report to the Panel?	Yes. To the September meeting prior to the adoption of the governance statement.

	Issue	Panel's Response
20	Is the Panel made aware of the role of risk management in the preparation of the annual audit plan and satisfied that the audit plan is derived from a proper risk assessment?	Yes – the annual plan report contains information in respect of the risk register and its role in strategic and annual planning.
21	Is the work of internal audit reviewed regularly?	Yes – reports are submitted twice a year, which include information on: delivery of agreed audit plan (including reports completed and assurance provided) implementation of agreed actions customer feedback view of external audit service's own performance targets
22	Are the Panel satisfied with the level of information provided to them in support of the annual internal audit opinion?	Yes. Especially as full copies of all audit reports can be accessed via the intranet.
23	Are the Panel satisfied that the annual review of the effectiveness of the system of internal audit is conducted thoroughly and the report it receives an accurate reflection of the reviews findings?	A report is submitted by the Director of C&T outlining the work that has been conducted as part of the review – those involved, and an action plan. Views of external audit are also included in the report and external audit attend Panel at which the report is discussed.
24	How do you satisfy yourself that the Internal Audit & Risk Manager is able to operate freely across all areas of the Council, are not subject to any undue pressure, or attempts to restrict the scope of their work or the access to people and documents?	The Internal Audit & Risk Manager attends all CGP meetings and is able to express his views openly and honestly. He is also able to meet with the Chairman of the Panel to discuss any matters or concerns arising from internal audit work
25	Are summaries of end of audit quality questionnaires from managers reviewed?	No – information is summarised in the half year reports. The Panel consider this is satisfactory as it allows for trends to be identified.
26	Do formal terms of reference exist defining internal audit's responsibilities, objectives, authority and reporting lines?	Yes – The Terms of Reference were approved by the Panel in March 2007. The Internal Audit & Risk Manager reviews the document annually.
27	Is the Panel aware of any restrictions placed on the work of internal audit and satisfied that the internal auditors operate free of any operating responsibility that could impair their objectivity?	No restrictions apply on the work/coverage of the internal audit service. Terms of reference approved by Panel explain that the Audit & Risk Manager is responsible for the delivery of internal audit, insurance and risk management. Directly employed internal audit staff do not review insurance or risk management related areas.
28	Is the Panel satisfied that internal audit reports to the appropriate member of the senior management team?	Internal Audit reports to the Director of Commerce & Technology. This is included in the Terms of Reference.
29	Is the Panel satisfied that <ul style="list-style-type: none"> • the work of internal audit is properly planned, completed, supervised and reviewed? • there are adequate quality assurance procedures in place? 	Yes – via the annual review of effectiveness and the conclusions of the peer review and external audit.

	Issue	Panel's Response
30	Is the Panel content that internal audit reports are issued on a timely basis?	Yes – this is one of the performance indicators reported to the Panel by the Internal Audit Manager.
31	Is the Panel satisfied that the judgements made by the internal auditors are appropriate given the evidence arising from their audit work?	Yes – customer feedback is consistently high, which indicates satisfaction with the approach taken by internal audit and the findings that are being reported.
32	Are reports on the work of <ul style="list-style-type: none"> • external audit • and other inspection agencies presented to the Panel?	External audit, Yes. (Audit Plan, Final Accounts, Audit Letter and Use of Resources and any other reports issued). Other inspection agencies reports are not routinely referred to the Panel. Item for action plan.
33	Does the Panel have the opportunity to comment upon the risks that are indentified in the external audit plan?	Yes – when it is presented to the Panel.
34	Does the Panel know what aspects of the Council's operation the external auditors consider to be of high risk; and are these commented upon?	High risk areas are listed in the audit plan. For 2008/09 the three items are shared services, workforce planning and the sustainability agenda. These were not specifically commented upon at the Panel meeting when the external auditors plan was discussed. There was discussion about these areas at the Panel effectiveness review meeting.
35	Is the Panel satisfied that external audit will be addressing these issues?	Yes. The audit letter will make reference to this work and its findings.
36	How do you know that the work of internal and external audit is properly coordinated?	The internal and external auditors attended the effectiveness review meeting and explained the process that they follow to prepare their annual work plans and the information that is shared between them. No concerns regarding this process were raised.
37	Is the Panel satisfied that the external auditors were not put under any undue pressure to either amend their audit plan or any of their findings?	The external auditors attend every meeting of the Panel and present their own reports. The Panel are satisfied that the external auditors would make whatever comments they felt were necessary of they have been subject to any undue pressure of any kind with regard to the work they have undertaken.
38	Is the Panel aware of any revisions to the external audit plan due to deficiencies in internal control or accounting records?	No revisions have been made.
39	Is the Panel satisfied that the auditors have no concerns about management's commitment to an effective control environment or operating style?	Yes. Any concerns would be implied within the Use of Resources report and by exception, within the annual opinion statement of the annual report.
Financial management is Adequate & Effective		
40	Is the Panels role on the consideration and/or approval of the annual accounts clearly defined?	Yes.

	Issue	Panel's Response
41	Does the Panel review and approve the annual accounts before the external auditors start work on them?	Yes. At the June meeting.
42	Does the Panel consider, prior to the accounts being approved by the Director of Commerce & Technology a range of issues to ensure they feel confident that the accounts have been produced accurately and in compliance with the relevant guidelines, e.g., <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • that there has been a due process in preparing the accounts and that the process is robust • whether the accounts have been subject to sufficient review by management • changes in accounting treatment • the reasonableness of accounting estimates • the adequacy of notes to the accounts 	Officers' guide the Panel through the annual accounts prior to their approval at the June Panel meeting. This approach is approved by the external auditor. The Panel also have the opportunity raise questions on the accounts when the external auditor reports to the Panel in September on the outcome of his audit.
43	Does the Panel receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit work?	Yes
44	Do the Panel feel that they have sufficient understanding of management's procedures for preparing the annual accounts?	Yes. The process is considered to be robust.
45	Does the Panel have a mechanism to keep it aware of topical legal and regulatory issues (e.g. through circulars and training)?	No. Item for action plan.
	Complaints Process	
46	Does the Panel receive information on complaints and seek assurance that systems have been reviewed and/or amended when complaints have been upheld?	Yes – an annual report is submitted, detailing complaints received, service areas, type of complaint.
47	Does the Panel received information on matters referred to the Ombudsman?	Yes – information is included in the annual complaints report. Financial settlements in excess of £1000 are reported to and approved by the Panel.
	Fraud Awareness	
48	Does the Panel take a role in overseeing: <ul style="list-style-type: none"> • anti-fraud arrangements?; and • whistle-blowing strategies? 	Yes. Panel approved the Anti Fraud & Corruption Strategy. It also receives annual reports that consider amendments to the strategy and whistle-blowing allegations received.
49	Does the Panel believe that the arrangements that have been introduced for receiving and dealing with whistleblowing are satisfactory?	Yes.
50	Is the Panel aware of the work being done to counter fraud and assured that sufficient resources are available?	No. Item for action plan.

	Issue	Panel's Response
51	Are breaches of the Council's Codes reported to the Panel at the appropriate time?	Yes, via the Audit & Risk Managers reports. The Panel is aware that serious breaches may not be able to be reported until disciplinary or similar investigations have been concluded.
52	Does the Panel know if a Code of Conduct is distributed to employees?	Yes.
	Membership	
53	Has the membership of the Panel been formally agreed and a quorum set?	Yes, within the Constitution. Maximum of 7, of which no more than 3 and a minimum of 1 shall be members of the Cabinet. A minimum of 3 members are required to allow the Panel to meet. There was concern that if 3 Cabinet members were on the Panel, they could constitute a quorum for a meeting. Item for action plan.
54	Is the chair free of executive or scrutiny functions?	Yes
55	Are members sufficiently independent of the other key committee's of the Council?	The Panel feel that the width of background of the current members and their roles within the Council is conducive to good debate and review of the issues that are presented before it.
56	Have all Panel members' skills and experiences been assessed and training given for identified gaps?	No assessment has been undertaken. Item for action plan.
57	Can the Panel access other committees as necessary?	Should the Panel meet with the Chairman of the Scrutiny Panels to discuss areas of common interest? Item for action plan.
58	Is the Panel satisfied that its membership demonstrates independence and has the necessary skills and experience to do its job?	See question 55.
	Meetings	
62	Does the Panel meet regularly?	Yes – March, June, Sept & December. Four meetings are considered sufficient to consider Panel business.
63	Are meetings free and open without political influences being displayed?	Yes.
64	Does the Chairman of the Panel have the right to request private meetings with the external or internal auditor?	Yes.
65	Do the reports presented to the Panel contain sufficient details to allow decisions to be reached promptly?	Yes. The Panel would challenge Officers if reports were not sufficiently detailed.

	Issue	Panel's Response
66	<p>Is the Panel satisfied that:</p> <ul style="list-style-type: none"> • papers are circulated in good time: and • that minutes are received as soon as possible after the meeting? 	<p>Yes. Minutes for all meetings are published on the same day that the agenda for the next meeting is published. The Panel discussed the content of the minutes of the meetings and whether they contained sufficient information to allow other Members or members of the public to gauge the depth of debate that had been conducted. Item for action plan.</p>
67	<p>Is the Panel satisfied that all its recommendations are actioned appropriately?</p>	<p>Yes.</p>
68	<p>Is the Panel satisfied that officers are acting on and monitoring actions taken to implement agreed actions, whether from internal, external or other reporting bodies?</p>	<p>Information is presented regularly to the Panel on the internal audit actions. The Panel are concerned by the low implementation rate of internal audit actions. Panel are not informed of progress made to introduce external audit/other reporting bodies agreed actions. Item for action plan.</p>
69	<p>Is the Panel content that it has access to proper technical advice when necessary?</p>	<p>Yes.</p>
70	<p>Does the Panel have the benefit of attendance of appropriate officers at its meetings?</p>	<p>Yes.</p>
71	<p>Does the Director of Commerce & Technology (S151 Officer) or Head of Financial Services attend all meetings?</p>	<p>Yes.</p>

PROPOSED ACTION PLAN

Ref	Issue	Panel's Response	Proposed Action	Implementation Date
Terms of Reference				
2	Do the terms of reference follow the CIPFA model?	Yes – The terms of reference have been compared to the CIPFA model terms and felt to comply. Following discussion on others items, this item was re-considered and the Panel requested that a review of the terms of reference be undertaken.	It is proposed that this is considered by the Council Structure Working Group that was established by Cabinet on 4 September.	Dependant on Working Group report and proposals.
6	Do you feel that the all Members' of the Council are aware of the Panel, the work that it does and the importance of good governance?	No. Panel does not promote its own work our highlight the benefits that good governance can bring to the Council.	The Chairman of the Panel to outline the work that is undertaken by the Panel, on behalf of all Members, when he introduces the report to Council that includes reference to the Annual Corporate Governance Statement.	3 December 2008
Risk Management				
10	How does the Panel satisfy itself that the risk management ethos is being embedded into all areas of the Council?	It receives risk management reports on a frequent basis explaining the risks that are being identified across the Council. It also receives an annual report from the risk management group on the work that it has undertaken. Whilst all Members' of the Panel, Cabinet & Chairman of the Scrutiny Panels have received risk management training there is a concern that other Members may not be aware of the risk management process.	The Audit and Risk Manager, in conjunction with the Head of Administration, to ask all Members if they require risk management training, and depending on need, hold short training sessions that explain the Council's approach to managing risk.	Request to Members October 2008 Training by January 2009

Ref	Issue	Panel's Response	Proposed Action	Implementation Date
Corporate Governance Statement				
13	Have issues that are being raised in the statement been considered by the Panel prior to the statement being presented to them?	The governance statement is being presented to the Panel in September. It is proposed that an informal briefing be held prior to the meeting to consider the statement and this question.	Subject to discussion at the meeting.	
14	How could Officers' improve the information that the Panel receive regarding the review of the effectiveness of corporate governance arrangements?	In future years, should a member of the Panel be invited to attend the officer group meetings that consider the evidence and prepare the statement?	The Chairman of the Panel will be invited to attend the meetings that are held to prepare the statement.	For September 2009 statement
External Audit & Inspection Process				
32	Are reports on the work of <ul style="list-style-type: none"> • external audit • and other inspection agencies presented to the Panel?	External audit, yes. (Audit Plan, Final Accounts, Audit Letter and Use of Resources and any other reports issued). Other inspection agencies reports are not routinely referred to the Panel.	All Heads of Service to report to the Panel on any external inspection report that makes comment on the Council's internal control or governance.	Ongoing
Financial Management is Adequate & Effective				
45	Does the Panel have a mechanism to keep it aware of topical legal and regulatory issues (e.g. through circulars and training)?	No.	All Heads of Service to ensure that the Head of Administration is advised of any relevant items so that they can be added to the Panel's agenda and/or result in training sessions.	Ongoing

Ref	Issue	Panel's Response	Proposed Action	Implementation Date
Fraud Awareness				
50	Is the Panel aware of the work being done to counter fraud and assured that sufficient resources are available?	No..	A report from the Head of Revenue Services shall be presented to the Panel, prior to the adoption of the annual governance statement, summarising the work that is being done to counter fraud.	September 2008
Membership				
53	Has the membership of the Panel been formally agreed and a quorum set?	Yes, within the Constitution. Maximum of 7, of which no more than 3 and a minimum of 1 shall be members of the Cabinet. A minimum of 3 members are required to allow the Panel to meet. There was concern that if 3 Cabinet members were on the Panel, they could constitute the quorum for a meeting.	It is proposed that this be referred to the Council Structure Working Group that was established by Cabinet on 4 September.	Dependant on Working Group report and proposals.
56	Have all Panel members' skills and experiences been assessed and training given for identified gaps?	No assessment has been undertaken	Following the review of the Panel's terms of reference, Panel members are to consider any gaps in their knowledge and inform the Head of Administration so that training can be arranged. This exercise should be conducted annually.	3 months after the review of the Panel's terms of reference and annually thereafter
57	Can the Panel access other committees as necessary?	Should the Panel meet with the Chairman of the Scrutiny Panels to discuss areas of common interest?	For information: Scrutiny Panels are charged with scrutinising the discharge of both executive and non-executive functions of the Council. If the Panel has a concern about the Council's financial management or governance arrangements, it can draw this to the attention of the Cabinet or other relevant committee or can commission the appropriate Scrutiny Panel to investigate and report.	

Ref	Issue	Panel's Response	Proposed Action	Implementation Date
	Meetings			
66	<p>Is the Panel satisfied that:</p> <ul style="list-style-type: none"> papers are circulated in good time: and that minutes are received as soon as possible after the meeting? 	<p>Yes. Draft minutes are produced after each meeting but are not published until the Agenda is despatched for the next ensuing meeting of the relevant committee (as required by legislation). The Panel discussed the content of the minutes of the meetings and whether they contained sufficient information to allow other Members or members of the public to gauge the depth of debate that had been conducted.</p>	<p>For information: Minutes of meetings are not a verbatim record of discussions and decisions but contain an accurate record of decisions taken and reflect the tenor of any debate. The proper officer and his staff exercise their professional judgement as to the required length and content of individual minutes, based upon the nature and complexity of the subject matter.</p>	
68	<p>Is the Panel satisfied that officers are acting on and monitoring actions taken to implement agreed actions, whether from internal, external or other reporting bodies?</p>	<p>Information is presented regularly to the Panel on the internal audit actions.</p> <p>The Panel are concerned by the low implementation rate of internal audit actions.</p> <p>Panel are not informed of progress made to introduce relevant agreed external audit/other reporting bodies agreed actions.</p>	<p>If the target for agreed audit actions is not achieved, COMT be asked to propose further steps to achieve the target.</p> <p>Agreed actions are to be monitored by the Policy and Strategic Services Manager and reported to the Panel.</p>	<p>Ongoing</p> <p>Ongoing</p>
	Other			
	<p>Frequency of further reviews of the Panel's effectiveness.</p>	<p>It was felt that a review every three years prior to the production of the Corporate Governance Statement was appropriate.</p>	<p>A further review be undertaken in August 2011.</p>	<p>August 2011</p>