

CANNOCK CHASE COUNCIL
AUDIT & GOVERNANCE COMMITTEE
24 NOVEMBER 2011
REPORT OF THE HEAD OF GOVERNANCE
ANNUAL GOVERNANCE STATEMENT – PROGRESS REPORT

1. Purpose of Report

- 1.1 To present to the Audit & Governance Committee for information progress in addressing the significant governance issues identified in the Annual Governance Statement for 2010-11.

2. Recommendations

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| 2.1 | That the Committee notes the contents of the progress report on the Annual Governance Statement for 2010-11. |
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3. Key Issues

- 3.1 The Council has a statutory responsibility to undertake an annual review of the effectiveness of its governance arrangements, which includes the system of internal control and to publish an “annual governance statement” with the annual accounts.
- 3.2 In reviewing the effectiveness of the governance arrangements, the Council has to identify any ‘significant governance issues’ and what action will be taken to address these. There is no single definition as to what constitutes a ‘significant governance issue’ and judgement has to be exercised. Factors used in making such judgements include:-
- the issue has seriously prejudiced or prevented achievement of a principal objective;
 - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another service area;
 - the issue has led to a material impact on the accounts;
 - the Chief Internal Auditor has reported on it as significant, for this purpose, in the Internal Audit Annual Report;
 - the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the Council;
 - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
- 3.3 The Annual Governance Statement (AGS) for 2010-11 was considered by the Audit & Governance Committee on 27 June 2011 and it was recommended that Council approve the AGS (this is due to be approved at Council on 24 August).

- 3.4 It was agreed that the Audit & Governance Committee would receive monitoring reports on progress in addressing the significant governance issues identified in the AGS, and this is the second progress report.
- 3.5 Details of the progress made against each of the significant governance issues in Quarter 2 are given at Annex 1.
- 3.6 Of the significant governance issues identified in the AGS:
- 0 Significant progress is being made to deliver the action and is on target for completion (status shown as green tick Annex 1)
 - 4 Some progress is being made to deliver the action (status shown as amber triangle on Annex 1)
 - 2 no action has yet been taken (status shown as red cross on Annex 1)
- 3.7 It should be noted that only two of the actions relating to the 6 significant governance issues were due to be completed by the end of Quarter 2. Progress in addressing these two actions has been delayed by the impact of the Shared Services Transformation work, but both issues are provided for in the respective Transformation Plans and will be delivered in due course.

4. Legal Implications

- 4.1 The Council is charged with various statutory duties and responsibilities and is further required to account for the manner and way in which it discharges those duties and responsibilities. There is a statutory duty on the Council to consider its processes carefully and where potential deficiencies are found, to take prompt action to address the same. As a public body, it is of paramount importance that the integrity of the Council is maintained and that all reasonable, appropriate and proportionate steps are taken to ensure that the deficiencies identified are remedied.
- 4.2 The Council inevitably exposes itself to potential criticism and litigation should its governance arrangements fail or be found to be inadequate. Key issues have been identified which have the potential to expose the Council, and in some respects its' staff, to potential civil and criminal action.
- 4.3 Inadequacies in governance arrangements, if not addressed, pose a real and likely litigation risk. The extent and nature of such risks will vary depending on the nature and extent of the deficiency and the resulting damage/loss (if relevant).
- 4.4 However, the suggested action to be taken to address the significant governance issues will assist greatly in minimising the risks and potential legal implications identified.
- 4.5 The Progress Report provides useful documentary evidence of the lengths and measures being taken by the Council in not only identifying deficiencies or potential weaknesses, but also considerable assistance in addressing those deficiencies/weaknesses. In view of the importance of governance arrangements, the regular review of progress will ensure that issues posing risks to the organisation are actioned in a timely and effective manner, thereby reducing, if not eliminating, the risk and liability to the Council.

5. Financial Implications

5.1 There are no financial implications arising directly from this report, however, in resolving any serious issues that have arisen from the Annual Governance Statement, managers must either:

- Implement recommendations within existing budgets; or
- Submit a report to Council requesting a supplementary estimate to obtain further resources to help implement recommendations.

5.2 Whilst there are no specific concerns about the financial arrangements for the Council's current key partnerships, having a governance framework in place would help to ensure that sound financial arrangements are put into place for all of the Council's key partnerships.

6. List of Background Papers

None

7. Annexes to the Report




Annex 1 – Significant Governance Issues – Progress Report for Quarter 2


8. Report Author Details



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**PROGRESS REPORT FOR QUARTER 2
ON THE SIGNIFICANT GOVERNANCE ISSUES FROM THE ANNUAL GOVERNANCE STATEMENT FOR 2010-11**


KEY TO STATUS INDICATORS:

STATUS	DESCRIPTION
	The action is making significant progress towards completion or has been completed
	The action is making some progress towards being completed
	Work has not commenced on the action

No	Issue	Action	Progress/Comments	Status
1	The approach to understanding and aligning costs and performance information for services/activities is not consistent across the Council. This impacts on decision-making and assessing the value for money of services.	Pilot scheme to be set up to establish a consistent approach to aligning cost and performance information for services/activities. Responsible Officer – Heads of Policy, Finance and Governance Date – December 2011	Work has commenced on a review of the VFM methodology prior to establishing the pilot scheme	

No	Issue	Action	Progress/Comments	Status
2	The governance arrangements for partnerships are not always clearly structured, documented or effective. Partnership risks are not fully understood or well managed.	<p>Governance framework to be developed for partnership working and rolled out to relevant partnership lead officers for implementation. To include requirement to set up and monitor risk registers for each partnership.</p> <p>Responsible Officer – Head of Governance</p> <p>Date – October 2011</p>	Work has not yet re-commenced on finalising the draft framework	
3	The Council's approach to understanding it's customers needs and consulting and engaging with them is not yet fully developed and embedded across the Council.	<p>A combined Consultation & Engagement Strategy is to be prepared together with an improvement plan, which is to be rolled out corporately.</p> <p>Responsible Officer – Head of Policy</p> <p>Date – December 2011</p>	A Consultation & Engagement Officer commenced in post on 1/8/11. A work programme is currently being agreed.	

No	Issue	Action	Progress/Comments	Status
4	<p>There are elements of the Constitution that are in need of updating to reflect changes and best practice. For example, the Scheme of Delegations needs to be updated to reflect the recent changes in the senior management structure, as do the Contract Procedure Rules and Financial Regulations. Work has commenced on reviewing and updating the Constitution but is not yet complete. Some amendments which were necessary to ensure compliance with the law have been completed and approved by Council.</p>	<p>The review and updating of the Constitution is to be completed.</p> <p>Responsible Officer – Head of Law & Administration (Stafford Borough Council) Head of Financial Management (for Financial Regulations only)</p> <p>Date – September 2011</p>	<p>Work is ongoing on the review and updating of the Constitution.</p> <p>The Scheme of Delegations has been completed and approved by Council</p> <p>Financial Regulations and Contract Procedure Rules are to be reviewed as part of the Shared Services Transformation work programmes</p>	

No	Issue	Action	Progress/Comments	Status
5	Operational Risk Registers are not being maintained up-to-date	<p>Managers are to be reminded of the need to undertake regular reviews of operational risk registers</p> <p>Responsible Officer – Risk & Resilience Manager</p> <p>Date – July 2011</p> <p>Review of approach to operational risk management</p> <p>Responsible Officer and Date – to be determined by the Shared Service Transformation Plan</p>	<p>Work has commenced on the review of operational risk management as part of the shared service transformation process.</p> <p>As work on this has commenced sooner than anticipated, it has been decided not to issue a reminder to managers at this time.</p>	
6	Shared Services Agreements have been completed with Stafford Borough Council. The agreements make provision for the governance of the sharing arrangements but these should be reviewed to ensure that the governance arrangements are working in practice.	<p>Review of the shared service governance arrangements.</p> <p>Responsible Officer: Monitoring Officer and Head of Governance</p> <p>Date – January 2012</p>	<p>Work on this will not be commenced until the Transformation Plans have been completed, which are due in October.</p>	