

**REPORT TO THE FINAL ACCOUNTS & AUDIT COMMITTEE** Report No.8

Date of Meeting	20 November 2006
Title of Report	Annual Governance Report – Action Plan & Progress Update
Link to Corporate Priorities	All – Good governance should underpin all the Council's priorities
Public Report	YES

**Summary of Report**

To provide an action plan setting out proposed actions and progress made to date against all the recommendations set in the Annual Governance Report, presented by the Audit Commission to the Final Accounts & Audit Committee in September 2006.

**Officer Recommendations**

That the action plan and progress update set out in Appendix 1 be noted and approved for submission to the Audit Commission.

That a further progress update be brought to this Committee in six months' time.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	None	None	Yes	None

**Contact Officer**

Sue Pangbourne, Strategic Manager – Corporate Services  
01249 706559 spangbourne@northwiltshire.gov.uk

## **1. Introduction**

- 1.1 The Audit Commission presented their annual report of the Council's governance arrangements to the Final Accounts and Audit Committee on 26 September 2006.
- 1.2 The Committee requested that a completed action plan and progress made against all the recommendations set out in the Annual Governance Report be brought back to their next meeting.

## **2 Options and Options Appraisal**

- 2.1 Option 1: That the Committee note and agree that the action plan as set out in Appendix 1 be submitted to the Audit Commission.
- 2.2 Option 2: That the Committee propose changes to the action plan set out in Appendix 1 prior to its submission to the Audit Commission

## **3 Background Information**

- 3.1 The Audit Commission's statutory Code of Audit Practice for Local Government bodies requires it to issue a report to those charged with governance, summarising the conclusions from their audit work over the year. The Annual Governance Report was presented to the Final Accounts and Audit Committee on 26 September. Members resolved that a report be brought to the next Committee meeting, detailing progress against the Action plan.
- 3.2 Appendix 1 sets out the action plan in full and includes comments and progress updates where appropriate. The Committee is asked to note that action plans for the recommendations on data quality (R8 to R19) and on Internal Audit arrangements (R19 to R29) have already been sent to the Audit Commission. The action plan includes minor amendments and progress updates against these recommendations.

## **4 Financial Implications**

- 4.1 Progressing some of the recommendations in the action plan will require additional funding to be made available to the Finance Team for the provision of additional staff. A business case to release the funding required will be made within the 2006/07 financial year to the Corporate Management Board. The funding has already been noted as a budget pressure in the month 6 budget monitor report to the Executive.

## **5 Human Resources Implications**

- 5.1 As above, progressing some of the recommendations in the action plan will require additional resource within the Finance Team.

## **6 Risk Analysis**

- 6.1 There is a risk that if the staffing pressures within the Finance Team are not resolved, progress against the recommendations in the Annual Governance Report will be slow and target deadlines may not be met.

<b>Appendices:</b>	<ul style="list-style-type: none"> <li>• Appendix 1 – Annual Governance Report – Action Plan</li> </ul>
<b>Background Documents Used in the Preparation of this Report:</b>	<ul style="list-style-type: none"> <li>• Annual Governance Report from the Audit Commission, September 2006</li> </ul>

**Previous Decisions Connected with this Report**

<b>Report</b>	<b>Committee &amp; Date</b>	<b>Minute Reference</b>
<b>Annual Governance Report</b>	Final Accounts & Audit Committee 26 September 2006	FA26

**Appendix 1. Annual Governance Report 2006 – Action Plan**

	<b>Recommendation</b>	<b>Priority 1 = Low 2 = Med 3 = High</b>	<b>Responsibility</b>	<b>Agreed</b>	<b>Comments &amp; Progress</b>	<b>Date</b>
R1	<i>Reconciliations should be carried out between the financial ledger and all feeder systems on a regular basis during the year. Any differences should be investigated and adjustments made or explanations given. All reconciliations should be reviewed by a senior member of the finance team.</i>	3	Chief Accountant	Yes	The Finance Team will work with the operator of key feeder systems to ensure they are reconciled on a regular basis. Reconciliation procedures will continue to be developed, including review and sign off by a senior officer.  Additional staffing resource will be required in the Finance Team to fully implement this recommendation.	Ongoing  Jan 07
R2	<i>All working papers are presented in the same format as the Audit Commission Audit Pack and that all working papers are fully referenced. Checklists should also be fully referenced to the working paper files.</i>	2	Chief Accountant	Yes	A review of all improvements needed for the closure of accounts was undertaken by the Chief Accountant and the Interim Chief Accountant in September 2006 to set up the planning process for the 2006/07 accounts	Feb 07 to Jun 07

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R3	<i>Analytical Reviews should be provided for all statements in the accounts. For the Consolidated Revenue Account this should include variances between financial years and also with the original budget. Analytical reviews should be provided in the BVACOP format.</i>	3	Chief Accountant	Yes	To be addressed at closure of Accounts 2006/07	June 07
R4	<i>The authority should ensure that it reviews the changes to the CIPFA Statement of Recommended Practice each year in time to produce the Statement of Accounts.</i>	3	Chief Accountant	Yes	To be addressed in time to make changes for closure of Accounts 2006/07	Feb 07 to Apr 07
R5	<i>Ensure that the uncorrected misstatements outlined in table 1 are corrected in 2006-7.</i>	3	Chief Accountant	Yes	Journals to correct these misstatements have been completed. This will be shown in the final Accounts for 2006/07	Sept 06  June 07
R6	<i>Improve year end and qualitative processes for producing the financial statements to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers.</i>	3	Section 151 Officer	Yes	(as for R2) A review of all improvements needed for the closure of accounts was undertaken by the Chief Accountant and the Interim Chief Accountant in September 2006 to set up the planning process for the 2006/07 accounts	Feb 07 to June 07

	<b>Recommendation</b>	<b>Priority 1 = Low 2 = Med 3 = High</b>	<b>Responsibility</b>	<b>Agreed</b>	<b>Comments &amp; Progress</b>	<b>Date</b>
R7	<i>Review arrangements for the compilation of the housing benefit claim to ensure it is undertaken in a timely and accurate manner.</i>	3	Chief Accountant, Audit Manager And Strategic Manager – Customer Services	Yes	Arrangements will be reviewed with the Benefits Team prior to the end of the financial year.	Feb 07
R8	<i>Explicitly define data quality responsibilities and amend job descriptions of all those accountable for data quality, including those responsible for collection, entering data and reporting performance information of all kinds as well as PIs and LPis.</i>	2	Performance Management Officer (GW) and Human Resources Team Leader	Yes	The Council is currently undertaking a job evaluation process that will result in new job descriptions for all staff. Data quality will be included alongside information management and data security.	July 07
R9	<i>Clarify the role and responsibilities of the lead councillor for data quality.</i>	2	Strategic Manager – Corporate Services	Yes	Lead Member for democracy and governance, which includes performance management, will be responsible for data quality as part of his role.	Nov 06
R10	<i>Ensure the terms of reference of IMDS Group are changed to embrace data quality and any necessary training / development needs met to allow this group to exercise its responsibilities.</i>	2	Performance Management Officer (GW)	Yes	Data quality policy to be included within Information Management and Data Security Strategy and Terms of Reference of group amended.	Dec 06

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R11	<i>Incorporate data quality requirements, including standards and targets into appraisal system for all relevant staff.</i>	2	Performance Management Officer (GW)	Yes	Overall data quality standard of level 3 to be achieved as a target for Performance Management Officer within appraisal.	May 07
			Performance Management Officer (GW)		Data quality requirements of all relevant staff to be specified in data quality policy.	Nov 06
R12	<i>Establish corporate data quality policy, with key outcomes reflected in the corporate plan.</i>	3	Performance Management Officer (GW)	Yes	Data quality policy to be completed.	Nov 06
			Strategic Manager – Corporate Services		Key outcomes to be reflected in Corporate Plan where appropriate	Feb 07
R13	<i>Link corporate objectives for data quality management to business area plans and set objectives for individual services.</i>	2	Team Leaders	Yes (in part)	Business Area Plans no longer produced. Service plans to address data quality management objectives where relevant	Mar 07
R14	<i>Communicate commitment to data quality to staff at all levels.</i>	2	Information Management and Data Security Group	Yes	Information Management and Data Security Group to agree and roll out communications plan when policy is approved.	Dec 06

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R15	<i>Establish the necessary systems and processes to ensure that the quality of all data is 'right first time', including targeted support to staff and managers, user guides and help desk arrangements. And ensure that these arrangements are integrated into wider business planning and management processes.</i>	2	Performance Management Officer (GW)	Yes	User guide to follow policy as part of communications approach. Performance manager available for data quality enquiries (helpdesk).	Dec 06
R16	<i>Provide adequate support to staff involved in data quality, including training, user guides and help desk arrangements.</i>	2	Performance Management Officer (GW)	Yes	As above	Dec 06
R17	<i>Identify all instances of internal and external data sharing and ensure compliance with agreed protocols and quality standards (link to data quality policy).</i>	1	Performance Management Officer (GW)	Yes	Work to follow policy	Jan 07
R18	<i>Identify skills gaps and ensure appropriate training given to all staff with responsibility for data quality.</i>	2	Information Management and Data Security Group	Yes	Performance Management training to include data quality element. Relevant staff given guidance and training through programmed visits.	Dec 06



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R19	<i>Simplify reporting and monitoring arrangements to ensure that all relevant and interrelated data is reported jointly to the appropriate level within the organisation and that actions needed to address cross cutting issues are readily identified and acted upon (for example to include better alignment of reporting on costs, satisfaction levels and performance information to provide stronger focus on value for money and service improvement).</i>	3	Performance Management Officer (GW)/ Strategic Manager – Corporate Services	Yes	Reporting and monitoring to be rationalised following introduction of new performance management system.	Apr 07
R20	<i>Raise the status of the Audit Manager to ensure he has sufficient status within the Authority structure to fully facilitate effective discussion and implementation of audit work.</i>	3	Chief Executive and Corporate Management Board	Yes	Senior managers will continue to work with the Audit Manager to raise the profile of Internal Audit across the organisation. The position of the Audit Manager will be reviewed in light of any changes to the organisation's structure.	Ongoing
R21	<i>The FA+AC should approve IA's terms of reference. Members of this committee then need to consider what information they require from the Audit Manager to enable them to discharge their responsibilities.</i>	3	Audit Manager	Yes	The Terms of Reference have been approved by CMB and were presented to and approved at the September 06 meeting of the Final Accounts and Audit committee.	Sept 06

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R22	<i>Ensure IA work is drawn together annually to arrive at an overall view of the system of internal control operating within the Council.</i>	3	Audit Manager	Yes	The report by the Audit Manager to the April 2007 Final Accounts and Audit committee will provide an overall view of the system of internal control, which will then be fed into the Council's Statement on Internal Control. An update on the 2006 SIC was presented to the November 06 meeting of the FA&A Committee	Apr 07
R23	<i>Ensure an annual IA report is produced that details not only progress against the audit plan but also information on compliance with standards, controls and qualifications.</i>	3	Audit Manager	Yes	A report on the position as at the end of the year will be presented to the April 2007 Final Accounts and Audit Committee, which will contain the information set out in the Code.	Apr 07
R24	<i>Ensure training and development for IA staff is informed by periodical appraisals and that budgets are allocated to enable external training to be provided. A training record then needs to be maintained for audit staff.</i>	2	Strategic Manager - Corporate Services (in absence of a Finance Team Leader) and Audit Manager	Yes	1-2-1s and appraisals will identify training needs which will then be addressed through available funds. Training records are already maintained for individual auditor's CPD requirements.	Ongoing

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R25	<i>Ensure IA are consulted when draft contracts/SLAs are being drawn up with 3rd parties to ensure adequate access rights are provided for within such agreements.</i>	3	Strategic Managers and Team Leaders	Yes	Any major contracts or SLAs, as well as new policies and procedures, will be circulated to Internal Audit for their comments.	Ongoing
R26	<i>Ensure relationships between the HB investigations unit for preventing and investigating fraud and IA are clearly defined in new HB anti benefit fraud policy currently being drafted.</i>	1	Interim Benefits Team Leader and Audit Manager	Yes	The Investigation Team are responsible for the prevention, detection and investigation of benefit fraud only. All other instances of fraud will be referred to Internal Audit. In the event of internal benefit fraud Internal Audit will be responsible for leading investigations but will seek advice and assistance from the Investigations Team Leader where appropriate.	Ongoing
R27	<i>Ensure formal supervisory arrangements are established for monitoring the work of the audit manager. This should include the establishment of objectives and targets.</i>	2	Strategic Manager – Corporate Services and Finance Team Leader	Yes	Line management, including responsibility for appraisals and 1-2-1s, has passed to the Corporate Services Strategic Manager during the absence of a Finance Team Leader.	Ongoing

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R28	<i>Refine the basket of local performance indicators established by the new Audit Manager to manage IA performance to include a cost indicator.</i>	2	Audit Manager	Yes	A cost per productive day indicator will be produced and reported at year-end alongside other indicators.	Apr 07
R29	<i>Ensuring that future audit plans provide additional information on non-audit activities such as training, appraisals, liaison etc.</i>	1	Audit Manager	Yes	The information is currently built into the number of available days when producing the audit plan. In future training and other nonproductive time will be shown on the face of the audit plan.	Sep 06