



**REPORT OF: CORPORATE GOVERNANCE STEERING GROUP**

**TO: ACCOUNTS & AUDIT COMMITTEE**

**DATE: 7<sup>th</sup> NOVEMBER 2023**

**Report Author:** Marie Mason  
**Tel. No:** 01282 661790  
**E-mail:** marie.mason@pendle.gov.uk

## **CORPORATE GOVERNANCE & RISK MANAGEMENT UPDATE**

### **PURPOSE OF REPORT**

This report provides the Committee with an update on the following:

- a) the developments relating to the Council's risk management arrangements, including the updated Risk Management Strategy and the revised Strategic Risk Register;
- b) exceptions to the Contract Procedure Rules;
- c) requested amendment to the 2021/22 Annual Governance Statement
- d) the Action Plan contained within the Annual Governance Statement (AGS) included within the Statement of Accounts for 2022/23;
- e) the Council's Anti-Fraud, Bribery, Theft and Corruption Policy and Whistleblowing Policy;
- f) the contract position for Internal Audit Services.

### **RECOMMENDATIONS**

The Committee is recommended to:

- (a) note the position with the Strategic Risk Register;
- (b) note the exceptions to the contract procedure rules;
- (c) approve an amendment to the 2021/22 Annual Governance Statement
- (d) consider the progress in the delivery of the AGS Action Plan 2023/24 and comment as appropriate;
- (e) review and comment on the revised Anti-Fraud, Bribery, Theft and Corruption Policy and Whistleblowing Policy.
- (f) note the intention to extend the contract for Internal Audit Services with MIAA until 31<sup>st</sup> March 2025.

### **REASONS FOR RECOMMENDATION**

To ensure the Committee is made aware of current developments impacting on the Council's wider corporate governance framework.

## **Background**

1. It is considered good practice for the Council's corporate governance and risk management arrangements to be subject to a regular review.
2. The Local Code of Corporate Governance (and incorporated action plan), the Strategic Risk Register and AGS Action Plan are each subject to periodic review by the Corporate Governance Steering Group (CGSG).
3. There are also regular meetings of the Council's Risk Management Working Group (RMWG) who review operational risks; however, this group focusses on primarily health & safety risks.

## ***Risk Management Strategy and Strategic Risk Register***

4. An updated Risk Management Strategy was reviewed and agreed at the last meeting of the Accounts and Audit Committee on 25<sup>th</sup> July 2023. Council approved this Risk Management Strategy at its meeting on 28<sup>th</sup> September 2023.
5. An updated Strategic Risk Register was reviewed at the last meeting of the Accounts and Audit Committee on 25<sup>th</sup> July 2023. Members made a number of changes and recommendations, and these have been fed back to both the Corporate Governance Steering Group and relevant officers.
6. The Strategic Risk Register has now been set up within the Council's Performance Management software (Pentana) and forms part of the quarterly Performance Clinics where Corporate Leadership Team receive an update from each member of the Corporate Management Team on key items, as detailed below;
  - Corporate Priorities
  - Key Performance Indicators
  - Service Performance Indicators
  - Strategic Risk Register
  - Finance
  - HR
  - Emerging Issues
7. The Performance Clinics provide an opportunity to review performance and also feed into the quarterly reports to Executive. They also provide an opportunity to review and update the Strategic Risk Register and the SRR will be updated once the Quarter 2 Performance Clinics have taken place on 6<sup>th</sup> November 2023. As such the SRR will be updated at the next meeting of the Accounts and Audit Committee.

## **Exceptions to the Contract Procedure Rules**

8. In accordance with the Council's Constitution all exceptions to the Contract Procedure Rules are to be reported to Accounts & Audit Committee. The following exceptions have all been agreed with the Council's Director of Resources / S151 Officer:
  - To appoint CDS Environmental Services to carry out further work on the Halifax Road Cemetery scheme. These works were unforeseen at the time of developing the project schedule. The first part of the work was fully tendered for and that this is additional work over and above the previous scope. Due to timing and consistency, it is not

practical to retender and award to another party and therefore award was made to the incumbent Contractor.

## **Annual Governance Statement 2021/22**

9. As part of the 2021/22 external audit, Grant Thornton has asked for the following amendment to be made to the 2021/22 AGS; Paragraph 3.45 on Page 9 to be removed as no such action was taken. This amendment can be made and a revised version of the 2021/22 AGS reissued and uploaded on to the Council's website.

3.45 In compliance with the Accounts and Audit Regulations 2015, a review of the effectiveness of the system of internal audit is undertaken annually with the results of the review reported to the Accounts and Audit Committee. This Committee can make recommendations or highlight any matters requiring attention to the Policy and Resources Committee and Council.

## **Annual Governance Statement Action Plan 2023/24**

10. The AGS published within the Statement of Accounts for 2022/23 contained the action plan detailed in Appendix 1 and an update on progress is detailed alongside each action within the table.

## **Anti-Fraud, Bribery, Theft and Corruption Policy and Whistleblowing Policy**

11. Following a review by MIAA last year, the Council's Anti-Fraud, Bribery, Theft and Corruption Policy has been updated and is attached as Appendix 2. The Policy brings together all aspects required of such a policy and looks to simplify the language and make reporting any issues as straight forward as possible. Once agreed the Policy can be promoted within the Council to raise awareness with staff.
12. The Anti-Fraud Policy included reference to the Council's Whistleblowing Policy and this has also been updated and is included for reference (please refer to Appendix 3). This Policy is subject to review by staff unions.

## **Internal Audit Service**

### *Role of Internal Audit*

13. The Public Sector Internal Audit Standards (PSIAS) define auditing as

*“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance procedures”.*

14. There are also statutory obligations which require a local authority to maintain an internal audit service as follows:
- Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for “the proper administration of their financial affairs...”. It is the view of the Chartered Institute of Public Finance and Accountancy (CIPFA) that proper administration requires a wider consideration of all aspects of local authority financial

management and should include compliance with statutory requirements for auditing and internal audit.

- Under the Accounts and Audit Regulations 2015 a relevant local authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

15. In their statement of the role of the Chief Financial Officer, CIPFA sets out a number of key principles and responsibilities linked to the role including:

*Ensuring that the authority has in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.*

#### *Existing Arrangements*

16. A report was taken to the Policy & Resources Committee on 19<sup>th</sup> March 2020 outlining options for the Internal Audit service at that time. Committee agreed to outsource the provision and a procurement exercise was undertaken to appoint a suitable third party.
17. On 21<sup>st</sup> January 2021, the Policy & Resources meeting agreed that Mersey Internal Audit Agency (MIAA) be awarded the contract for the Internal Audit Services for three financial years 2021/22 to 2023/24. The award also included the possibility for a further 1-year extension.
18. As a result of the Covid-19 pandemic and changes in Section 151 Officers at the Council it was difficult to establish a settled position during the first 12-18 months of the contract although the relationship between both parties has continued to grow in the last 12 months and is now maturing well.
19. In order to continue the relationship to develop and to avoid a further procurement exercise it is recommended that the Council implement the 1-year extension to the Contract until 31<sup>st</sup> March 2025.

#### *Arrangements beyond 2025*

20. In the next 12 months Council will need to consider provision beyond 1<sup>st</sup> April 2025. Options include a further procurement exercise, exploring shared service or bring the service back in house.
21. Procurement regulations do not require the service to be exposed to competition as a direct award can be made under the NHS Business Services framework, which is open to the wider public sector as well as NHS bodies. MIAA is one of fifteen providers who can be appointed under lot 2 (internal audit) of the framework.

### **IMPLICATIONS**

**Policy:** There are no new policy implications arising from this report.

**Financial:** The budget for Internal Audit in 2023/24 is £90,000. On the basis of the price submitted by the preferred Bidder, the provision of Internal Audit can be contained within the budget provision.

**Legal:** The legal implications are as set out in this report.

**Risk Management:** Internal Audit is a key element of the Council's overall corporate governance framework. In recognition of the limited capacity and lack of resilience of the internal service, the Committee agreed to outsource the service. The procurement process has identified a good range

of potential providers who, following evaluation, appear capable of providing the Council with a high-quality Internal Audit Service.

**Health and Safety:** There are no health and safety implications arising directly from this report.

**Sustainability:** There are no sustainability implications arising directly from this report.

**Community Safety:** There are no community safety issues arising directly from the contents of this report.

**Equality and Diversity:** There are no equality and diversity implications arising from the contents of this report.

## **APPENDICES**

Appendix 1 – Annual Governance Statement Action Plan 2023/24: Progress Update

Appendix 2 - Anti-Fraud, Bribery, Theft and Corruption Policy; and

Appendix 3 – Whistleblowing Policy

**LIST OF BACKGROUND PAPERS** - None