

BRISTOL CITY COUNCIL

AUDIT COMMITTEE

29th January 2016

Agenda item 14

Report of: Chief Internal Auditor

Report Title: Annual Governance Statement – Action Plan Update

Ward: Citywide

Officer presenting report: Melanie Henchy-McCarthy

Contract Telephone Number: 0117 92 22063/22448

RECOMMENDATION

The Committee is recommended to comment on the attached Annual Governance Statement Action Plan Update. This is the third update in 2015/16, there will be a year-end round up presented to the Committee in April 2016 together with a draft 2015/16 Annual Governance Statement.

This Update was presented to the Deputy Mayor on 13th January 2016.

SUMMARY

Please see paragraph 1 below for a summary of changes to the Annual Governance Statement Action Plan.

SIGNIFICANT ISSUES IN THE REPORT ARE:

- Of the nine matters arising in the Action Plan, Two are recommended for removal, four are considered to have a descending level of governance risk, two while having progress have not progress enough to reduce the risk and as such remain at the same level of governance risk and one has an increased level of governance risk.
- Appendix A – Annual Governance Statement Action Plan

Policy

There are no new policy implications arising from this report

Consultation:

Internal: None necessary
External: None necessary

1. **Background and Context – Annual Governance Statement Action Plan:**

- 1.1 The City Council is required to prepare an Annual Governance Statement to accompany its published financial statements. As part of that process a number of significant governance issues were identified for action and resolution. As a result an Action Plan was drawn up to monitor those issues and the actions put in place to resolve them.

The Action Plan is a living document which rolls on from year to year, with the Committee receiving regular updates. As many of the current actions within the Action Plan are the same or similar to the mitigations in the Corporate Risk Register (CRR), the Action Plan is presented at the same time as the CRR, where possible.

1.2 **Summary of Progress:**

- **Items no longer considered a significant governance issue:**

- **MetroBus (1)** – significant issues previously identified have now been addressed and governance has improved – no further action proposed.
- **Change Programme (2)** – Review of Financial Benefits Realisation Governance found acceptable control within the benefits realisation process, therefore with overall control considered good the Programme is no longer considered a significant governance issue, however it will remain on the Corporate Risk Register until the Programme is complete.

- **Items where the level of risk is increasing:**

- **Financial Governance (3)** – Slippage against a number of projects, Financial Services Improvement Plan slow to be implemented and absence of key senior staff.

- **Items where the level of risk is decreasing:**

- **Commercial Contract Management (5)** – work ongoing in this area with new e-tendering portal progressing.
- **Quality of Service/Complaints System (6)** – All modules of new system have now gone live with improvements in response times already evident.

- **Schools Corporate Governance (7)** – Schools Financial Regulations issued. Internal Audit reviews for first half of year all positive.
- **Organisational Knowledge/Capacity (8)** – Individual Performance Management system rolled out to all staff. Applied Programme now at cohort 4 with further cohorts proposed.
- **Items where the level of risk has not changed:**
 - **Partnership Governance (4)** – Top level partnership mapping has been completed with lower level partnerships and the hierarchy between them to be mapped.
 - **Traded Companies (9)** – Code of Practice has been produced. Updated business cases approved by Cabinet December 2015.

Other Options Considered

Not applicable.

Risk Assessment

The need to maintain a robust Risk, Governance and Control environment is pivotal to the effective operations of the Council's functions, a statutory requirement of the Accounts and Audit Regulations 2015 and an implied requirement of the External Auditor.

Failure to maintain and where required improve this environment will not only impact on the proper practices of the Council, but will also be in breach of the Accounts and Audit Regulations 2015 and may attract an adverse opinion from the External Auditor.

Equalities Impact Assessment

None necessary for this report

Legal and Resource Implications

Legal - none sought

Resources - none arising from this report

Appendices

Appendix A - Annual Governance Statement - Updated Action Plan



LOCAL GOVERNMENT ACCESS TO INFORMATION



Each issue has been RAG rated both from an inherent risk and a residual risk prospective, the key to the rating is as follows:

Red - Significant issue immediate action required to resolve
Amber - Remedial action has progressed well, but has not yet fully resolved the issue or the impact/benefits of actions have not yet been fully realised.
Green - Issue resolved, no longer considered a significant governance item
Key: Risk is increased Risk remains the same Risk is decreased

Item No	Matters Arising	Inherited Risk	Current Risk	Action taken or to be undertaken in 2014/15 and 2014/15 updates.	Action update May 2015/16	Further Action to be taken 15/16	Action update August 2015/16	Current position November 15/16	Target Dates	Responsible Officer
1	MetroBus (BRT) project- Significant issues identified in project including: Funding gap Governance arrangements Damage to Council reputation			Planning permission for all routes was approved by the Development Committees in August 2014. As this is an ongoing major programme, monitoring will continue going forward. Legal agreements with partner authorities are in place for the MetroBus programme. The Sept 2011 Cabinet report identified funding for the MetroBus. This was from Bristol Futures and from Local Transport Plan and Community Infrastructure Levy, in addition to the 2014/15 Mayor's budget the remaining funds were identified from prudential borrowing. This then met the total funding requirement for this project. Initial work on the refresh of the Joint Local Transport Plan has commenced.	Although all finance and legal agreements are in place for the metro bus there is an issue regarding transparency around the decision making process. An initial refresh was done two years ago. A West of England Joint Spatial Plan and the Joint Transport Strategy has now started which is running in parallel with an update of the four core strategies. The aim is for an updated transport strategy and core strategy.	A review of the transparency of decision making is planned by Internal Audit for 2015/16. A briefing on the funding situation and governance arrangements to come to Audit Committee Aug/Sep 15 for discussion at September meeting if appropriate.	Now that the briefing has been received the audit review will focus on the effectiveness of the governance arrangements stated. A transparency of decision making review will still take place but this will be a more general review. Completed	Transparency Code Compliance audit complete - Council compliant. Audit of transparency in decision making currently under discussion, but scope cross Council rather than Metro bus. Report on funding and governance arrangements for Metro bus went to September 2015 Audit Committee who noted the report. Audit Committee report reviewed. CRR work does not indicate further issues with metro bus governance. Joint Transport Plan being reviewed over next year.	Complete Complete	TBC Strategic Director - Place
2	The Change Programme (CRR2) CP is a consolidation of a number of projects. Managed as a series of separate largely directorate led programmes. CP is expected to deliver more than half of the required budget savings; therefore, failure to deliver projected benefits could have severe impact on the Council's ability in achievement of long term corporate objectives. The impact of having so many change project streams in progress at the same time could have a significant impact on the overall control environment, if the environment is not preserved appropriately. In particular the loss of experience and organisational knowledge, as a result of the current corporate restructure, could in the short term impact on the control foundation within the Council.			The formal business case for the Change Programme was presented to the Cabinet in July 2014. Good progress - Project phase 1 moves (out of City Hall and into Temple/Park view etc.) are now complete. Phase two moves are being planned and will need continued leadership by Strategic Directors to focus on the necessary business change. Delivery is still in early stages, but key restructure activity is on track to deliver majority of the net target savings for 2014/15 albeit future year targets increase. Lessons learned are being applied to the next element of the project. Progress - Infrastructure is in place for delivery of digital services - demoed by development of residents parking permit digital delivery. ABW has been enhanced to provide sufficient information for Management to monitor and forecast their budgets. Change programme projects all have a member of Architecture and Design Team on them to ensure standards are applied and fit within the wider strategic picture. The programme will be subject to 6 monthly performance and financial reporting to both SLT and Cabinet, with more frequent reporting to the Assistant Mayor for Business Change. The Applied Service Redesign Programme for Service Improvement aims to ensure that service redesign is led by Service Managers and incorporates use of technology and digital delivery. The programme will ensure Service Managers have the necessary skills to drive continuous improvement of skills. The programme is currently being rolled out with the first cohort commencing 27th January 2015. The Change Board, chaired by the Strategic Director for Business Change meets weekly to address risks and issues. There is strong corporate focus on delivering the savings in the financial plan by both SLT and the Change Programme. The Change Programme has already delivered £22m (full year effect) savings for 2014/15 demonstrating the commitment to the project and the delivery and realisation of savings and service improvements. Restructure was formally closed in October 2014 and performance indicators show a low impact on service delivery.	An audit was completed of the change Programme and it was found that a good system of Governance and Internal control was in place. The Audit review did not include the financial benefits realisation. This area was covered as part of the Change Programme review and where required an Architect was in place. Regular meetings are held with Service managers to ensure that the projects are running smoothly, supporting a no surprises principal. To be determined in a Finance realisation review.	A financial realisation and benefit review to be carried out by Internal Audit. Full roll-out of Applied Programme for Service Improvement to all service managers to ensure services better manage demand and maximise use of joint working in service delivery. Cohort 1 has completed the initial discovery phase and cohort 2 are currently underway. Cohort 3 are scheduled to commence in 2nd week June.	A review is in progress. Applied Programme continuing with Cohort 4 scheduled to commence at the end of August. Further Cohorts are being defined and will be confirmed by Change Board in September.	The audit is almost complete and reporting is in progress - positive outcome Change programme October Report to Cabinet confirmed £30.2m delivered, plans in place for £13.3. Confident target will be delivered, £15.9m still to be identified achieved but half the target met. Confirmed December 2016 that now only further £14.9 of savings needed in 2016-17 to complete delivery of the programme. Change Board has actions in place to establish firm delivery plans for this work. Change board to be updated further January 2016. The Applied Programme Improvement has been rolled out to four cohorts of service managers with a range of service improvements currently being implemented. Further cohorts will commence in early 2016 and reports on progress will be regularly made through Change Board. Internal Audit involved in Cohort 4 in order to ensure the control environment is not impacted by efficiency changes. see above	31st January 2016 31st January 2016 31st March 2016	Chief Internal Auditor Strategic Director - Business Change Strategic Director - Business Change

Item No	Matters Arising	Inherited Risk	Current Risk	Action taken or to be undertaken in 2014/15 and 2014/15 updates.	Action update May 2015/16	Further Action to be taken 15/16	Action update August 2015/16	Current position November 15/16	Target Dates	Responsible Officer
	Savings appear to be on target outcomes of internal audit work positive so risk reducing.			<p>The restructure process has created a defined corporate structure which, alongside an enhanced reporting structure, has more clearly defined roles and responsibilities in the senior management team.</p> <p>Plans are also in place for a further £12m of savings, primarily through the Category Management work stream.</p> <p>The Corporate restructure completed by 31st October 2014.</p> <p>Financial implications (savings and costs) of the Change Programme are monitored and reported to the Change Board monthly and will in future be reported to Cabinet 6 monthly</p> <p>RO = Strategic Director – Business Change & Service Director – Finance.</p> <p>An Internal Audit review of the Governance arrangements within the Change Programme is currently in progress. Findings and conclusions to be reported in April 2015.</p>	Complete					
3	Financial Governance									
(CRR6)	<p>While good progress towards improvement in internal control of financial systems has been achieved, the new financial system is still not fully operating to the required level in order to fully achieve expected benefits and controls.</p> <p>Issue increasing in severity due to absence of key staff</p>		<p>↑</p>	<p>Focus on key controls and appropriate reconciliations will be more structured and monitored to enhance control of debt, cash and access.</p> <p>Strengthen Financial governance:</p> <p>Further refinement of budget holders and cost centres has continued with the aim of having the full structure complete by year end. (April 2015)</p> <p>Extensive budget management training has been made available to all budget holders.</p> <p>Financial Regulations and Scheme of Delegations being revised to reflect the new directorate management structure. Target Date: System fully functional by 2014/15 year end.</p> <p>Review of financial regulations and schemes of delegation currently remains outstanding. (April 2015)</p> <p>Implement upgrade of main financial system to incorporate HR and Payroll functions. (December 2015)</p> <p>In year changes to the budget or financial plan are centrally controlled and subject to Finance Director Approval. (Ongoing)</p>	<p>Complete</p> <p>Complete</p> <p>Complete</p> <p>Outstanding</p>	<p>Work on the Financial Regulations is progressing with a cosmetic review underway.</p> <p>Implementation is ongoing.</p> <p>Ongoing</p>	<p>Still not been updated and still under view..</p> <p>The finance upgrade of Agresso to 5.7.1.5 and the Centric interface were both implemented to live within the agreed window of opportunity.</p> <p>Subsequent data issues have resulted in a project delay of approximately 5 weeks. Impact assessments to establish the effect on testing and the proposed go-live date of 1st November 2015 are being completed.</p> <p>TBC</p>	<p>Update remains outstanding, now likely to be completed as part of May 2016 Governance update.</p> <p>Further slippage, now to be rolled out for April 2016</p> <p>Slippage against a number of projects including financial regulations, integrated finance/HR system and absence of key staff, suggests that Financial Services Improvement Plan has stalled and risk increasing. Note that debtors and creditors systems are included in Cohort 4 of Applied Programme.</p> <p>Service Director - Finance post became vacant late December 2015. Urgent need to address staffing issue.</p>	<p>31st May 2016</p> <p>30th April 2016</p> <p>tbc</p> <p>tbc</p>	<p>Service Director Finance</p> <p>Service Director Finance/ Service Director HR</p> <p>Service Director Finance - tbc</p> <p>Strategic Director Business Change</p>
				Service Director: Finance						

Item No	Matters Arising	Inherited Risk	Current Risk	Action taken or to be undertaken in 2014/15 and 2014/15 updates.	Action update May 2015/16	Further Action to be taken 15/16	Action update August 2015/16	Current position November 15/16	Target Dates	Responsible Officer
6	<p>Quality of Service /Complaints system</p> <p>Inefficient Complaints system: - Lack of reliable, readily available information of complaints/complaints received. Failure to learn from mistakes/good practice. Lost opportunity for improvement. Missed opportunity for greater transparency</p> <p>Risk decreasing as new systems appear to be improving timeliness. Could consider removing but already an increase in overall number of complaints and likely to increase further ahead of the elections.</p>			<p>As part of the change programme a project has been taking place to review and redesign the corporate non statutory complaints process. The programme includes:</p> <ul style="list-style-type: none"> - Authorisation for a new process which will see the current 3 stage process change to a 2 stage process to streamline and simplify the process for citizens. This is based on best practice and the national standard - New improved on line experience with better information and a new on line form - Replacement of the current IT system with the new Salesforce Customer Relationship system. This will significantly automate and improve reporting. <p>Initial design and capacity issues delayed the implementation of the new Freedom of Information (FOI) and Complaints system; however implementation is now progressing well.</p> <p>Replacement of the current IT system with the new Salesforce Customer Relationship system. This will support a much more robust and informed approach to identify themes and learning to drive improvement and service redesign.</p> <ul style="list-style-type: none"> - Update to management team planned for June 2014 - Roll out is planned from Aug – October 2014. Target date: October 2014 RO = Service Manager – Customer Services. <p>The new system will go live in 3 phases as follows:</p> <ol style="list-style-type: none"> 1. FOI module will be live for public use from Early March 2. Non-statutory Complaints module is currently being testing, but will be live by end of May 2015 at the latest. 3. Statutory Complaints module is scheduled for testing shortly and providing no issues are identified will also be live by end of May 2015 <p>The new system will improve accuracy of data and provide for more effective reporting, allowing for trend analysis and hot spot identification. This in turn will provide greater opportunity for Customer Relations to work with service providers to identify improvements and action improvements to service provision.</p> <p>The more streamlined non-statutory complaints process will free up resource for increased service focus support, thereby improving the customer experience and ultimately the Council's service offer.</p> <p>Long term proposal is to publish FOI and Complaints data in order to aid transparency and potentially reduce the number of FOI requests and duplicate Complaints.</p> <p>The new system when fully live will :</p> <ul style="list-style-type: none"> - Identify good practice - Identify opportunities for improvement - Provide greater transparency. 	<p>FOI system has been launched across Bristol City Council. The current status of the 3 phases is as follows:-</p> <ol style="list-style-type: none"> 1. The FOI module went live in April 2015. 2. The non-statutory complaints module went live in May 2015. 3. The statutory complaints module will go live this Autumn. <p>It is too early to say for complaints, although improvements to FOI performance has been reported. <i>(not tested by IA as yet)</i></p> <p>Under the old system and process only 48% of FOI's were regularly dealt with in the 20 working day timescale. On the new system, this has improved to 79%.</p>	<p>Watching Brief to ensure statutory complaints module is implemented within timescale.</p> <p>Report to Audit Committee on new system capability and performance.</p>	<p>Testing is now expected to take place in September and the module to go live in October.</p>	<p>Statutory complaints went live in October as per the plan and is now complete and ongoing. Feedback is that working well. FOI and non-statutory complaints performance that 80% meet timescale for response (previously 48% and 50%). Overall number of complaints increasing and this may continue in run up to election. Internal Audit review now in progress.</p> <p>Scheduled for January 2016 Meeting.</p>	<p>Complete and ongoing</p> <p>31st March 2016</p>	<p>Service Manager - Customer Relations</p> <p>Service Manager - Customer Relations</p>
7	<p>Schools Corporate Governance</p> <p>A number of issues have arisen with regard to financial governance within schools, these include:</p> <ul style="list-style-type: none"> • Failure to maintain an up-to-date Financial Regulations for Schools • Lack of clarity with regard to the roles and responsibilities of the Trading with Schools function. • Issues identified by Internal Audit with regard to governance, both finance and operational, within schools. 			<p>Appointment of a permanent Trading With Schools Service Manager - Complete</p> <p>Roles and Responsibilities to be refreshed and rolled out. Target Date: End of October 2014</p> <p>TWS to provide greater support to Schools who are experiencing difficulties. Target Date: Ongoing</p> <p>Service Director for Education</p> <p>Service Director: Finance</p> <p>A review of the Financial Regulations for locally managed schools is currently underway. The first draft having been reviewed by Internal Audit and whilst progress has been made, there remain a number of areas which still require amendment. A body of work has been completed on the Schools Scheme of Delegations; however this will not be effective until the Financial Regulation update has been completed. Target Date: 31 March 2015</p> <p>RO = Service Director - Finance</p> <p>Work has been completed in these areas, but it has yet to be evidenced to Internal Audit.</p> <p>RO= Service Director- Education</p> <p>Internal Audit is currently reviewing the TWS arrangements, the findings of which will be reported on by 31st March 2015.</p> <p>RO = Chief Internal Auditor</p> <p>Appointment of a permanent Trading With Schools Service Manager - Complete</p> <p>Guidance for Schools who may be in financial difficulty to be rolled out.</p> <p>Work has been completed in these areas, but it has yet to be evidenced to Internal Audit.</p> <p>Target Date: End of October 2014</p> <p>Roles and Responsibilities to be refreshed and rolled out. RO= Service Director- Education</p> <p>Target Date: End of October 2014</p>	<p>Financial Regulation remains under review and as such is yet to be issued to Schools.</p> <p>This is part of the Scheme for Financing Schools that has just recently been presented to Schools Forum.</p> <p>Scheme available on the Source.</p>	<p>Financial Regulations review to be completed as a matter of urgency and rolled out to Locally Managed Schools. Training to be provided where appropriate.</p> <p>Complete</p>	<p>There is one outstanding item on the draft revised Financial Regulations waiting to be resolved then they will be issued to schools.</p>	<p>The Schools Financial Regulations has been approved and made available on the website in November 2016. Schools have been made aware of them.</p>	<p>Complete</p>	

Item No	Matters Arising	Inherited Risk	Current Risk	Action taken or to be undertaken in 2014/15 and 2014/15 updates.	Action update May 2015/16	Further Action to be taken 15/16	Action update August 2015/16	Current position November 15/16	Target Dates	Responsible Officer
				<p>TWS to provide greater support to Schools who are experiencing difficulties.</p> <p>Internal Audit is currently reviewing the TWS arrangements, the findings of which will be reported</p> <p>Target Date: Ongoing</p> <p>Service Director for Education</p> <p>Service Director: Finance</p>	<p>IA review has concluded a 'satisfactory' level of assurance for the TWS function itself, however the lack of clarity between the role of TWS and other functions remains.</p> <p>The number of Schools reviewed by IA which have failed to demonstrate a satisfactory level of financial governance remains of concern.</p> <p>RO: - Service Director: Education</p>	<p>A SLA between Finance and TwS has now been signed by the Service Director: Finance - however it is yet to be signed by the Service Director: Education and the Service Manager TwS.</p>		<p>Confirmed that SLA has still not been signed by all parties. Recommended that this be actioned in January.</p> <p>An income generation strategy has been completed. There is a plan to develop the governance and business model further for Trading with Schools to ensure a successful sustainable future model in line with the principles of "Learning City."</p> <p>Internal Audit half year report indicates improved outcomes from school reviews. The position will be reviewed again at year end.</p>	<p>31st January 2016</p> <p>1st July 2016</p> <p>31st March 2016</p>	<p>Service Director Education</p> <p>Service Director Education and Service Manager</p> <p>Chief Internal Auditor</p>
8	Organisational Knowledge/capacity									
CCR	Loss of experience skills and resource leading to significant impact on governance framework.			N/A - New matter arising for 2014/15	Work is ongoing across BCC to address the impact of restructuring and ensure that our workforce has the right skills for the future. HR is engaged in workforce planning and development activity across each Directorate and looking at recruitment and retention, talent management, CPD issues, etc. There are also a number of corporate programmes including the Applied Service Redesign Programme and functional skills that address skills issues across BCC. A commissioned management development offer has been arranged aimed at new managers along with a interim leadership development offer.	<p>Applied Programme - Full implementation</p> <p>Roll out and full utilisation of redesigned individual performance management framework.</p>	Applied Programme continuing with Cohort 4 scheduled to commence at the end of August. Further Cohorts are being defined and will be confirmed by Change Board in September.	<p>People Panel is in place to ensure the organisation structure remains affordable and that cost is only added back where service demand requires it. The Applied Programme Improvement has been rolled out to four cohorts of service managers with a range of service improvements currently being implemented. Further cohorts will commence in early 2016 and reports on progress will be regularly made through Change Board</p> <p>The redesigned individual performance management framework. was rolled out in July 2015 and is now being used to capture staff objectives and permanence. Full benefit will be seen in 2016-17. Work now ongoing to support managers to use the system to record performance management objectives. First review period will commence in April 2016 with new objectives set for 2016/17.</p> <p>A new Workforce Planning approach will enable the analysis of the impact on recruitment and retention of the upturn in the local economy at the same time as further austerity measures are implemented across Local Government. Determine the current and likely future impact that will have on the Council's capacity and expertise to deliver services across the Council.</p> <p>A review of pay, reward and benefits is currently underway to ensure that BCC's employment proposition is competitive in the local employment market, in particular for senior 'hard-to-fill' roles. The review will be reflected in the 2016 Annual Pay Policy</p>	<p>31st March 2016</p> <p>31st March 2016</p> <p>30th April 2016</p> <p>29th February 2016</p>	<p>Service Director HR</p> <p>Service Director HR</p> <p>Service Director HR</p> <p>Service Director HR</p>
9	Traded Companies									
CCR11	Conflict of interest and impact on existing governance framework due to Council involvement in wholly owned Limited Companies.			N/A - New matter arising for 2014/15	Advisory Reports provided to Senior Management on: Dealing with conflicts of Interest and on Financial Implications and Risks.	<p>A detailed draft governance framework for the Energy Company has been considered by the Overview and Scrutiny Board on 26th June - once approved the framework will need to be embedded into the organisation.</p> <p>A similar framework needs to be set up for the Waste Company</p> <p>Governance review/workshop led by Legal Services to take place in July to explore the governance framework for Arms length trading and ensure it is robust.</p>	Approved framework in place.	<p>Report on Business Planning Update on Companies which the Council wholly own, and Governance of Managing those Companies made to Overview and Scrutiny Management Board November 2015. Code of Practice for companies including a holding company to oversee wholly owned companies was approved by cabinet December 2015 and will go to Audit Committee January 2016. Code refers to company establishing own audit and risk committees and appointing auditors. Role of BCC internal audit not clarified in Code. Yet to confirm whether existing companies comply with Code. Client function established but appointments yet to be made. Shareholder group established and met twice. Updated business cases for Energy and Waste approved by Cabinet December 2015. Reporting cycle for companies to client side yet to be established.</p> <p>No longer required.</p>	<p>Audit Committee 29/01/2016</p>	tbc
					RO Strategic Director Business Change					