

INTERNAL AUDIT REPORT

Title: Review of Governance Framework

Prepared by: Mark Dallen, Audit Manager

Date: 10th January 2011

Audit Ref: A1012/001/2010

Distribution: Richard Shaw, Interim Chief Executive
John Beckerleg, Interim Director of Corporate Services
Catherine Vaughan, Interim Chief Finance Officer
Kevin Gardner, Monitoring Officer

Final Report

Contents

	Page
Executive Summary	3
Introduction	
Audit Opinion	
Key Issues	
 Detailed Report	 6
 Appendices	
 A - Acknowledgements	 13
- Audit Timescales	
 B - Agreed Terms of Reference for Review	 14
 C - Assurance Levels – Definitions	 16

Important

The content of this audit report is for Officers of the South Downs National Park Authority named in the distribution list only. The audit report must not be released to any other individual or body without the permission of the Interim Director of Corporate Services.

Executive Summary

Introduction

Good governance is a prerequisite for every public body to deliver sustainability, value for money and quality services in a transparent manner. All public bodies should be able to demonstrate that they are applying good standards of governance. In addition the Authority's Governance Framework provides an important platform for the strategic development of the organisation as well as providing the structure and rules for day to day decision-making.

The scope of the audit focussed on key documentation that forms the governance framework and comparison with the six core principles of the CIPFA/SOLACE framework guidance, "Delivering Good Governance in Local Government (2007)".

The implications of any weaknesses in the Governance Framework include an increased risk that decisions may be made without due authority or that there is insufficient accountability for these decisions.

Readers should note that this review was carried out in October and November 2010 during the Authority's shadow year and prior it becoming fully operational in April 2011. The auditor acknowledges that the Authority is already developing its full governance arrangements and this review is intended to help inform that process.

The audit forms part of the agreed Internal Audit Plan for 2010/11.

Audit Opinion

Reasonable Assurance is provided on the Authority's Governance Framework.

This opinion means that although controls are in place to ensure that governance arrangements are effective there are a number of areas where additional policies and procedures should be put in place (or further developed) to strengthen these processes.

Audit Conclusions

To provide clarity our conclusions have been grouped under the CIPFA/SOLACE core principles of good governance to help communicate the relevance of the documentation and procedures that make up the Authority's Governance Framework.

Principle 1: Implementing a vision for the local area

The National Park Authority has commenced the process of developing a Management Plan for the National Park due to be produced by 2013. In the interim period a business plan is being developed (to be available for April 2011). (Rec. 1)

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

We found evidence that key responsibilities had been delegated and properly documented within the Constitution including those relating to financial management and procurement. We did note that there was an absence of documented procedures in relation to the Authority's recruitment procedures. (Rec. 2)

Principle 3: Demonstrating the values of good governance through upholding high standards of conduct and behaviour

We are not aware of any shortfalls with regard to conduct or behaviour of officers and members and feedback confirmed that maintaining high standards was a high priority for both.

A Code of Conduct is not yet in place for officers but is planned (Rec. 3). In addition arrangements for declaring conflicts of interest, gifts and hospitality for officers are not yet in place. (Rec. 4).

It is also recommended that the following policies are drafted and communicated to promote good governance, and capture any concerns of staff, stakeholders or the general public:

- A Whistle-blowing policy (Rec. 5);
- A complaints policy (Rec. 6); and
- An Anti-Fraud and Corruption Policy. (Rec. 7)

With regard to human resource procedures we also note that disciplinary and capability policies are not yet in place. (Rec. 8)

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Arrangements are in place within the constitution to ensure effective decision making. Risk Management arrangements for the transition programme are being developed but a Strategic Risk Register and Risk Management Strategy are not yet in place. (Rec. 8). In addition we note that Data Protection and Freedom of Information Act Policies have not yet been developed.(Rec. 9)

Principle 5: Developing the capacity and capability of members and officers to be effective

The Authority has introduced arrangements to ensure that all members are effectively inducted and skilled to carry out their roles. An induction process (and documentation) is being developed for officers but is not yet complete. (Rec. 10)

We note that although the Authority is significantly reliant on interim and contract staff at present a timetable is in place to ensure the replacement of these with permanent appointments in the next 12 months to ensure systematic knowledge transfer through this phased approach,

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

Feedback from key officers and the Chair of the Authority provided evidence and assurance that consultation is a priority for the National Park Authority and an integral part of developing its services and vision.

Detailed Findings/Issues

1. Implementing a vision for the local area

- 1.1 A key component of implementing a vision are the National Park Authority's arrangements for putting in a place effective planning processes. At the time of audit (November 2010) a short business plan was in place that referred to:
- Guiding Principles
 - Initial Priorities and Milestones
- 1.2 This document also refers to the need to develop a business plan and a Management Plan. The Management Plan is a statutory requirement under Section 66(1) of the Environment Act 1995 to be completed by 2013.
- 1.3 We understand that a Management Plan is being developed in conjunction with partners and stakeholders. The Authority will also develop its business planning and a business plan is due to be in place by the 1st April 2011.
- 1.4 We are also aware that initial drafts of a Medium Term Financial Plan have been put together but acknowledge that this process cannot be completed until more information about future years funding is available.
- 1.5 There was acknowledgement that the "Guiding Principles" will require further development in terms of detailing specific outcomes for the next financial year. Work has also been undertaken with all members and staff to develop a statement of the culture for the Authority.
- 1.6 The main purposes and duties of the National Park Authority are also communicated on the front page of the web-site.

Gross Risk: The vision of the National Park is not effectively defined and communicated during the period that the Management Plan is being developed.

Recommendation 1: Officers should continue to work on the development of a Business Plan to be available and effectively communicated across the Authority at the beginning of the 2011/12 Financial Year.

Management Action/Response: The business plan is seen as an important corporate document to direct the work of the Authority although it will take more than one year to have a comprehensive plan. This will ultimately be heavily influenced by the Management Plan when agreed. The business plan will also reflect the work being undertaken to define the culture of the Authority	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: 28 th March 2011
	By Who: Interim Director of Corporate Services (and Business Planning and Performance Manager when appointed)

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

- 2.1 Approved policies and delegations form a key component in ensuring that member and officer roles and functions are clearly defined. Many of these key documents are included in the Constitution of the National Park Authority and include the Standing Orders of the Authority, Financial Regulations and Contract Standing Orders.
- 2.2 We understand that Financial Regulations and the Financial Procedures were being updated and reviewed at the time of the audit review. An officer scheme of delegation is also in place with regard to creditor payments and purchasing.
- 2.3 The Authority currently has only a small number of officers but it is nevertheless essential that clear HR procedures are in place relating to recruitment procedures, management and other operational aspects of people management.
- 2.4 We have not been able to obtain any specific recruitment guidance but have obtained information and assurances about the arrangements for recruitment and that they include:-
- 3 officers and or members to form an interview panel;
 - evaluation on the basis of agreed competencies;
 - use of standardised questions and a standard assessment grid

Gross Risk: Recruitment procedures are not applied consistently or do not comply with best practice or the expectations of the organisation.

Recommendation 2: Documented recruitment procedures should be put in place to cover advertising, shortlisting and interviewing.

Management Action/Response: The Authority has developed its arrangements for recruitment (e.g. its policy on flexible working, terms and conditions, etc) but this needs further consolidation.	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: End of January 2011
	By Who: Interim Head of HR

- 2.5 We have obtained assurance that Job Descriptions are in place for most officers but have not tested this. We also obtained an example copy of a Job Description in relation to a recent advertisement.
- 2.6 Feedback obtained during this review indicated that member / officer relations were viewed positively. We also understand that a Member/Officer Protocol is being drafted in line with the best practice adopted by other public bodies.

3. Demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 3.1 A range of factors impact on the conduct and behaviour of officers and members within a public body. These include culture, leadership and the behaviour of individual officers and members. Underlying this the Authority should have clear policies and procedures to effectively communicate the standards that are required, and address any instances where there are (are may be perceived to be) shortfalls in the standards adopted.
- 3.2 A Standards Committee has been established and the first meeting has taken place including agreeing an initial work plan.
- 3.3 With regard to Codes of Conduct we were able to confirm that a Code is in place for elected members. A Code of Conduct for officers was being developed but was not yet in place at the time of audit. (This is already on the work plan for the Standards Committee)

Gross Risk:. Expectations with regard to officer conduct are not clearly defined and communicated.

Recommendation 3: A Code of Conduct for officers is approved and communicated to all staff.

Management Action/Response: A code of conduct will be produced	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: Standards Committee (11 th February 2011)
	By Who: Monitoring Officer and Interim Director of Corporate Services

- 3.4 With regard to declarations of interest we again note that a policy and procedures are in place with regard to members but not yet officers.

Gross Risk: Officers do not declare and exclude themselves from decisions where they may have a conflict of interest.	
Recommendation 4: A policy and procedures for declaring conflicts of interests should be put in place for officers. (To include rules on gifts and hospitality)	
Management Action/Response: It has been agreed that this will be undertaken by the HR team	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: 28 th February 2011
	By Who: Interim Head of HR

- 3.5 It is noted that the Authority does not yet have policies and procedures that allow the organisation to capture and action legitimate complaints and concerns by members of staff, stakeholders, partners and members of the public. Specifically we could not locate either a Whistleblowing Policy (under the Public Interest Disclosure Act) or a Complaints Policy.

Gross Risk: Legitimate concerns by staff, stakeholders and members of the public are not captured and effectively investigated.	
Recommendation 5: Both a Whistleblowing and Complaints Policy should be put in place.	
Management Action/Response: We have appointed an interim knowledge and information manager to develop the draft complaints policy A Whistleblowing policy is needed and will be produced by the HR Team	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: Standards Committee (11 th February 2011) for complaints.; 31 st March 2011 for whistleblowing
	By Who: Knowledge and Information Manager

- 3.6 Although the Authority is a relatively small public body it will be at risk of fraud from both within and outside of the organisation. Information suggests this risk is on the increase but we note that the Authority has not adopted an Anti-Fraud and Corruption Policy. As well as being of use in reacting to frauds committed the communication of such a policy may help to deter individuals who are considering targeting the organisation.

Gross Risk: Absence of organisational clarity on responding to both the risk of fraud and actions to be taken in the event of an allegation.	
Recommendation 6: An Anti-Fraud and Corruption Policy should be put in place.	
Management Action/Response We will produce a draft policy, building on examples from elsewhere, for the Audit committee to review.	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: Audit Committee (5 th April 2011)
	By Who: Interim Director of Corporate Services / Chief Finance Officer

- 3.6 Although the organisation is new and has a small number of staff we are not aware that any capability and disciplinary procedures are in place.

Gross Risk: Issues of officer misconduct or capability are not managed effectively or consistently.	
Recommendation 7: Disciplinary and capability policies should be put in place	
Management Action/Response: We are producing a suite of HR policies of which these two will have a high priority.	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: 28 th February 2011
	By Who: Interim Head of HR

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- 4.1 As would be expected member led decisions are properly documented and recorded on the Authority's website. In addition each committee report includes the requirement to detail the risk implications of the decisions that are being made.
- 4.2 An Audit Committee has been put in place a training session was provided in October 2010 on Risk Management.
- 4.3 Officers and members are positive about the integration of risk management into their governance and business processes and Brighton and Hove City Council's Risk Manager is supporting the development of Risk Management arrangements. Initial work has begun but a Strategic Risk Register and a Risk Management Strategy are not yet in place.

Gross Risk: Key risks are not identified, managed or effectively mitigated.	
Recommendation 8a: A Strategic Risk Register should be put in place with agreed mechanisms for its ownership, reporting and review.	
Recommendation 8b: A Risk Management Strategy should be put in place.	
Management Action/Response: We have a corporate risk register currently that has a focus on the establishment programme. This needs to evolve to become the Strategic Risk Register. We need to develop a Risk Management Strategy	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: Draft to Audit Committee (5 th April 2010)
	By Who: Interim Director of Corporate Services and Chief Finance Officer

- 4.4 The Authority does not currently have both a Data Protection Policy and Freedom of Information Policy. We understand that an officer is due to be appointed in the near future who will lead on these information governance issues.

Gross Risk: Records are not managed and retained in accordance with the Data Protection or Freedom of Information Acts.	
Recommendation 9: The Authority should develop and put in place and effective Data Protection and Freedom of Information Act Policies.	
Management Action/Response We have appointed an interim knowledge and information manager to develop the arrangements for handling Freedom of Information Requests and Data Protection Policy.	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: 3rd March 2011
	By Who: Knowledge and Information Manager

5. Developing the capacity and capability of members and officers to be effective

- 5.1 There is a developed induction process for new Members included regular training and membership events. An induction process is in the process of development for new officers joining the organisation, but this process (and related documentation) is not yet complete.

Gross Risk: Officers are not properly informed about the aims, objectives, rules and procedures within the Authority.	
Recommendation 10: An induction pack and programme should be finalised and used for all new appointments whether permanent or temporary.	
Management Action/Response: An induction pack – based around a PowerPoint presentation has been produced. There has been extensive discussion with staff about what should be included in an induction pack. A person has been appointed to take forward this programme of induction (which will go beyond 31 March 2011)	Priority: Medium
	Agreed/Disagreed: Agreed
	By When: 1 st January 2011
	By Who: Senior Management Team

- 5.2 At present the Authority is significantly reliant on interim and contract appointments but in recent months progress has been made on advertising permanent positions. The auditor judged that the risks and benefits of this strategy had been properly considered by management and members and a timetable for appointing permanent officers to the NPA was in place.

Principle 6. Engaging with local people and other stakeholders to ensure robust public accountability

- 6.1 We have seen evidence that confirms that a key component of the management plan will be consultation with partners, other stakeholders and the public.
- 6.2 Before April 2010 surveys had taken place and engagement processes were in place. Findings from these consultations were used to draw-up the Guiding Principles of the Authority.
- 6.3 The Chief Executive and the Chair were interviewed and both emphasised that working with partners and stakeholders was pivotal to the success of the Authority and was aware that other National Parks had had problems where there had been insufficient consultation. As a result Partnership arrangements are being set up
- 6.4 Specific proposals including setting up:-
- A South Downs National Park Partnership
 - Thematic Working Groups
 - A South Downs National Park Forum
 - Regular dialogue with sectoral groups

Acknowledgements

We would like to thank all staff that provided assistance during the course of this audit, in particular:

Margaret Paren, Chair

Richard Shaw, Interim Chief Executive

John Beckerleg, Interim Director of Corporate Services

Catherine Vaughan, Interim Chief Finance Officer

Liz Ballard, Interim Head of Strategy and Partnerships

Sue Chapman (Head of Financial Services, BHCC)

Kevin Gardner (Interim Monitoring Officer)

Audit Timescale

Agreement of Terms of Reference:	15/9/2010
Fieldwork start:	19/9/2010
Fieldwork completed:	18/11/2010
Draft report to client:	8/12/2010
Response from client:	29/12/2010
Final Report:	10 th January 2011
Implementation Review Planned:	10 th April 2011

Audit & Business Risk Key Contact Information:

Service provided by Brighton and Hove City Council

Head of Audit & Business Risk: Ian Withers, ☎ 01273 291323

Audit Manager: Mark Dallen, ☎ 01273 291314

Appendix B

Terms of Reference

Subject	Governance Framework	Prepared By	Mark Dallen, Audit Manager	Date	September 2010
Audit No.	012/001/2010	Client Agreement	John Beckerleg, Director of Corporate Services	Date	October 2010

Background

The Authority's Governance Framework provides an important platform for the strategic development of the organisation as well as providing the structure and rules for day to day decision-making.

For the purpose of this review the Governance Framework is deemed to refer to those policies, documents and approved procedures that provide guidance and authority for decision making within the National Park Authority.

It will focus on examining key documents included in the Authority's constitution including:

- Authority Governance documents (standing orders, financial regulations etc)
- Other policies (e.g. contract standing orders, financial procedures, information assurance and HR policies and
- Anti Fraud and Corruption strategy/ arrangements.

To examine the policies in place and provide information about policies which still need to be developed

The implications any weaknesses in the Governance Framework include an increased risk that decisions may be made without due authority or that there is insufficient accountability for these decisions.

The audit forms part of the 2010/11 Internal Audit plan.

Audit Objectives.

The primary purpose of the audit is to evaluate the adequacy of the Governance Framework through testing against the following objectives:

- 1) Governance policies and procedures have been put in place that are comprehensive and fit for purpose. To include:-
 - Authority procedures
 - Delegation of Responsibilities
 - Financial Management
 - Human Resource Management
 - Ethical Governance (Including Codes of Conduct, Whistleblowing and Counter-Fraud Arrangements)
- 2) Key documents have been formally approved and communicated to relevant officers and Authority members.

Audit Scope & Approach

The audit approach adopted will include the following:-

- Review of documentation in place and comparison to best practice.
- Interviewing key officers.

Assurance Levels - Definitions

Categories of Assurance	Assessment
Full	There is an effective system of control designed to ensure the delivery of system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
Substantial	Whilst there is a effective system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level on non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
Reasonable	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Authority.
Limited	<p>Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk.</p> <p>Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance lead to an increased risk of loss to the Authority.</p> <p>Not all major risks are identified and/or being managed effectively.</p>
No	<p>Control is generally weak on non-existent, leaving the system open to significant error or abuse and high risk to the City Council.</p> <p>A high number of key risks remain unidentified and/or unmanaged.</p>