

REPORT TO	ON
Full Council	27 January 2021



TITLE	REPORT OF
External Audit Finding Report - Written Recommendations	Director of Governance

Is this report confidential?	No
------------------------------	----

PURPOSE OF THE REPORT

1. This report will inform Council of the written recommendations made by External Audit in their Audit Findings Report pursuant to section 24 of the Local Audit and Accountability Act 2014 and will propose actions and improvements that will demonstrate the necessary commitment to addressing the issues raised.

RECOMMENDATIONS

2. That the Council confirm that they have fully considered the audit findings reports for the years 2018/19 and 2019/20 presented by external audit and that they acknowledge the section 24 written recommendations made therein.
3. That the actions taken to address the section 24 written recommendations detailed within the report are noted.
4. That the proposed actions at paragraphs 18,24 and 31 are approved for implementation.
5. That the Council affirm their commitment to continuous improvement.

REASONS FOR RECOMMENDATIONS

6. The recommendations are necessary to demonstrate the council's commitment to improvement and to address the identified governance issues. Failure to demonstrate this commitment and improvement may lead to further intervention by external audit in the future.

OTHER OPTIONS CONSIDERED AND REJECTED

7. To take no action. This has been discounted. The Council have already acknowledged that these improvements are necessary and indeed the basis for the recommendations in some degree is the Annual Governance Statement considered by the Council which recognised the failings in the governance environment.

EXECUTIVE SUMMARY

8. On 23 December 2020, Governance Committee received the Audit Findings Report from external audit for the years 2018/19 and 2019/20. Councillors are asked to review these reports which set out in detail governance issues and risks identified by Grant Thornton during their value for money audit. A link to these papers can be found as a background paper at the end of this report.
9. The Council are obliged to consider the written recommendations and formally respond with proposals to address the required actions or improvements. This report will propose for adoption and implementation actions and improvements that will demonstrate the Council's commitment to addressing the issues.
10. The recommendations are that
The Council needs to make demonstrable progress in relation:
 - *Improving service performance*
 - *Strengthening the financial control environment of the Council*
 - *Securing appropriate working relationships between officers and members*
 - *Appointing a suitable experience and senior s.151 Officer.*
11. The body of the report will address each recommendation and provide detail of actions
 - already undertaken
 - proposed

which will provide commitment to deliver the identified improvements.

CORPORATE OUTCOMES

12. The report relates to the following corporate priorities: *(tick all those applicable)*:

An exemplary council	X	Thriving communities	
A fair local economy that works for everyone		Good homes, green spaces, healthy places	

BACKGROUND TO THE REPORT

13. There is significant history to this matter and it will not assist to rehearse the issues in this report. However, it should be noted that governance issues had been raised previously in 2014 and s.24 written recommendations were made requiring improvements. Failure to deliver these improvements, contributed to external audit refusing to sign off the statement of accounts for 2018/19.
14. The Audit Findings Reports for the periods 2018/19 and 2019/20 provide detail of the identified governance failings. Whilst members may feel the need to read both years reports the VFM findings are the same in both. External Audit have explained that whilst the Statement of Accounts for each of these period should be a point in time assessment for the that year, it was appropriate in this instance, due to the continuing failings, to address these issues together and not in separate years.
15. The reports recognise that there have been some actions taken to address the governance issues however, they express concern that the pace of implementing these improvements has been too slow and there has been inadequate progress.
16. As a result, the AFR's recommend that the Council should make demonstrable progress in relation to
 - *Improving service performance*

- *Strengthening the financial control environment of the Council*
- *Securing appropriate working relationships between officers and members*
- *Appointing a suitable experienced and senior s.151 officer.*

17. The following sections of the report will address each recommendation.

IMPROVING SERVICE PERFORMANCE

18. We have worked swiftly to reinforce core performance principles and processes. The aim has been to 'get back to basics' with a clear and straightforward approach that is consistently applied and embedded across the organisation.

Theme	Action	Expected Improvement	Text
Corporate planning	Refresh of the Corporate Strategy	The strategy has been streamlined to focus on four key priorities that should result in beneficial long-term outcomes for the borough, measured using 25 indicators of progress.	A position statement in response to the changing local context and future challenges. This formed the basis for engagement with members to refine the priorities and intended outcomes of the strategy. The refreshed Corporate Strategy was approved by Council in September 2020.
Corporate planning	Embedding the Corporate Strategy	All staff understand how their role contributes to council priorities.	Staff and member briefing sessions have been held and a programme of internal communication undertaken.
Performance Management	Refresh of the Performance Management Framework	Consistent and robust processes for monitoring, scrutinising and improving performance in line with the Corporate Strategy.	A refreshed shared Performance Management Framework was approved by Cabinet in October 2020.
Performance Management	Review of data quality and staff training	Clear and specific guidance on data quality	The refreshed Performance Management Framework sets out specific guidance on data quality to be applied by all staff. New data definitions and collection procedures have been developed for all Corporate Strategy performance measures and training has been completed with staff responsible for collecting and reporting data.
Business Planning	Establish a business planning process	Strategic priorities are translated into specific objectives and actions for services, teams and individual staff so that every office of the council is working	The refreshed Performance Management Framework also includes guidance on business planning. Each service will have a business plan that sets out the activity they will deliver in

		towards the same overall goal.	<p>addition to their business as usual activity, and a number of metrics that will record service level performance to support effective management.</p> <p>Business planning for 2021 is due to commence in January with each service asked to complete planning workshops and complete a business plan template detailing key service level priorities and projects for the next 12 months.</p>
Performance reporting	Review of quarterly performance reports	A clear and consistent approach to reporting against Corporate Strategy priorities so that members can track and scrutinise progress towards the long term outcomes identified in the strategy.	The format of the quarterly performance report has been reviewed to provide an overview of corporate strategy projects and performance measures using a simple RAG (Red Amber Green) system and a supporting narrative to describe progress and highlight any concerns.

19. The following actions are planned for the next quarter to embed the improvements set out above:

Theme	Action	Expected Improvement	Text
Performance Management	Further data quality training refresher training for all staff	A consistent organisation-wide understanding of what good data quality means and looks like at South Ribble Council	Relevant staff will be invited to refresher training to cover the key principles of good data quality and relevant processes.
Performance reporting	Key performance measures	To provide transparency on the performance of council services.	In addition to measures of progress against the Corporate Strategy, a set of 'key performance metrics' will also be reported in the quarterly performance report to provide Members with a view of service performance for key areas such as customer services, benefits processing, waste and planning.

Performance reporting	Annual report	An overview of performance for four quarters to inform future priorities and decision making.	An annual report will be produced at the end of quarter four to cover outcomes against the Corporate Strategy.
Performance scrutiny	Business Plan Monitoring Statements to be provided to Scrutiny Budget and Performance Panel twice a year	A more transparent approach to service level delivery.	Scrutiny Budget and Performance Panel will be presented with a 'Business Plan Monitoring Statement' twice a year which will provide a more detailed review of progress against each service areas' business plan and performance against service level measures.

20. This streamlined and more transparent approach will achieve a stronger and more robust approach to performance management with clear expectations for staff, councillors and residents, making it easier to assess and scrutinise performance so that we can address issues and target improvements.

21. The success of the interventions will be measured through staff and member feedback, and ultimately should result in improvements to overall performance.

STRENGTHENING THE FINANCIAL CONTROL ENVIRONMENT OF THE COUNCIL

22. What is apparent from the internal audit reports is that there were existing controls, but these were overridden. It is less clear as to whether this was because they were not known or understood, or if there was a deliberate intention to ignore them. In some respect it doesn't matter which situation had arisen as the outcome is the same, and both need to be addressed.

23. The improvements fall into 2 categories, awareness raising, to ensure that existing controls are known and understood and accountability/ transparency to limit opportunities for controls to be overridden. Some of the actions to support these improvements will be mentioned elsewhere in the report in addition to this section.

24. The following actions have been taken.

Theme	Action	Expected Improvement	Text
Training/ awareness raising	Training directors and senior managers on ethical governance and report writing	Training addressed council decision making and procurement processes improving understanding	This embeds the knowledge of existing procedures and approved processes and addresses gaps in

			knowledge. It also reminds senior officers of their responsibilities to monitor compliance in their services/directorates.
Accountability/ Transparency	Review of Constitution	Introduction of Executive Member led decision making will ensure greater transparency in decision making	By ensuring that expenditure is undertaken with the authority of members means wider knowledge of the spend. The use of Executive Member decisions requires both finance and legal services to comment on the decision, and compliance with council procedures can therefore be tested by those officers.

25. The following actions will be implemented

Theme	Action	Expected Improvement	Text
Accountability/ Transparency	Review of accounting procedures	Changes to virement /journal procedure	Implementing a tailored two-stage authorisation process to authorise some virements and journals, authorisations will be based on the value and type of the journal
Financial Controls	Authorising invoices and purchase orders	Better information to be provided to budget managers that approve invoices Option to override budget controls to be reviewed	Alerts to be sent to budget managers prior to authorisation of invoices that will identify discrepancies between purchase order and invoice values

26. The changes identified above will require changes to the financial system and as such are reliant on the third party systems support team being able to support these modifications.

An update will be provided to Governance committee in March 2021 regarding the progress of these changes.

SECURING APPROPRIATE WORKING RELATIONSHIPS BETWEEN OFFICERS AND MEMBERS

- 27.** The Audit Findings Report highlights incidents of what is viewed as inappropriate challenge by members to officers. It also expresses concern over the relationship between the former Chief Executive and senior politicians as well as noting that complaints about senior officers performance have been made by councillors.
- 28.** It is acknowledged that due to wider issues there have been tensions between officers and councillors.
- 29.** It is important when acknowledging this issue that we do not dwell on the instances of tensions, but the reasons they arose, in order to focus on the ideal governance environment. We should therefore set the parameters of what is a good governance environment. Identified behaviours include
- a. Mutual respect;
 - b. No blame culture;
 - c. Appropriate challenge.
- It should not include
- d. Personal attacks
 - e. Questioning of professionalism or competence.
- 30.** It is usually the case that tensions arise where there is poor understanding of the role or position of the officer and poor or no communication. The actions of the council are therefore focussing on training and embedding communication and clarifying and confirming roles.
- 31.** The following table sets out actions already taken

Theme	Action	Expected Improvement	Text
Recruitment/ Organisational Structure	Development and Implementation of Shared Directors	Improved confidence of councillors in the directors of the authority	Cross party approval has been sought for shared service changes and the development of a shared leadership team. Members were provided with proposals in relation to structure and responsibilities. The appointment panel was drawn from the memberships of both authorities.
Training	Ethical governance training has been provided to members	Members will have a better understanding of the functions of the different decision making bodies of the Council, the roles of members	Training was provided to members in 2 sessions and delivered by the Monitoring Officer and Deputy Monitoring Officer.

		and officers in decision making and expected standards of behaviour.	
Training	Ethical Governance and Report Writing training provided to Senior Management Team	Officers will understand council decision making processes and will provide improved reports and recommendations for decision which will improve the governance environment but also build confidence of members (and Public) in council officers.	Training has been given to officers to support them in writing reports and that it was attended by all members of the Leadership Team.
Training	Member Development Programme	Tailored personal development plans will improve understanding of the functions of the council.	Member development sessions have been undertaken with all councillors.
Constitution	Review of Standing Orders and scheme of delegation	The move to executive member led decision making reduces the risk of inappropriate political based challenge to be brought against officers with the decision being "owned" by the executive member.	The introduction of the EMD process will demonstrate political and Member ownership of decision-making, making it accountable and transparent.
Communication	Member briefings with Executive, Opposition and Portfolio Holders	Regular meetings will increase levels of openness and transparency and understanding between members and officers and develop and environment of trust and respect.	The Chief Executive and Deputy Chief Executive feel it is important to ensure that this type of engagement is widely available and look to support member briefings and meetings wherever possible. This has been reaffirmed to directors

			and senior staff to already
--	--	--	-----------------------------

32. The following table are actions that have not yet been implemented but are in train.

Theme	Action	Expected Improvement	Text
Training	Committee chair training	Better management of meetings and regulation of behaviour of members at meetings	When debating changes to standing orders members indicated that Chairs could exercise existing controls better rather than limiting some of the rules of debate. Greater control of the meeting by the Chair will lead to less opportunities for inappropriate challenge across parties and to officers.
Constitution	Review of the Member / Officer Protocol	To consider whether the protocol continues to meet the council's needs and be updated in the event of changes arising from the update to the model Code of Conduct.	The Member Officer Protocol is viewed as fit for purpose but should be reviewed regularly.

33. There are no clear ways to measure the success of each action as they form part of an overall programme to encourage change. Improvements will be measured in 3 ways
- a. Monitoring complaints that arise as a result of conduct of members and officers to each other;
 - b. Reviewing behaviours at meetings; and
 - c. Anecdotally during discussions between the Chief Executive/ Deputy Chief Executive / Monitoring Officer and councillors.

APPOINTING A SUITABLE EXPERIENCED AND SENIOR S.151 OFFICER

34. A recruitment exercise has been completed that included:
- a stakeholder panel,
 - interview with the Chief Executive and Deputy Chief Executive
 - written briefing
 - briefing presentation
 - interview with the shared services appointments panel

35. Following the process, the shared services appointment panel decided to make an offer of employment. The candidate is an experienced and senior accountant with significant experience as a section 151 Officer at another council. The informal offer has been accepted, and it is anticipated that the new Director of Finance will start in post in the Spring. In the meantime, the arrangements that are in place to cover the s151 Officer post will continue.

RISK

36. The risk should not be considered limited to the potential actions by external audit should the improvements not be implemented. The risk is more significant. The issues identified impact on how the council undertake our business. Failure to implement these improvements will perpetuate these failings. The effect of this is that the council's decision making environment will be flawed, leaving us open to legal challenge or undermining public trust and confidence.

COMMENTS OF THE STATUTORY FINANCE OFFICER

37. The audit findings report was noted by Governance Committee in December 2020. The completed and proposed changes outlined in this report will further strengthen the council's ability to secure economy, efficiency and effectiveness in its use of resources.

COMMENTS OF THE MONITORING OFFICER

38. The report details the actions the Council have taken, and propose to take, to address the governance concerns expressed by External Audit. These actions demonstrate how seriously the council are taking these issues and show good progress. The decisions, to acknowledge the actions taken and approve the actions proposed, commit the council to these improvements.

There are no background papers to this report

APPENDICES

Appendix A – Audit Findings Report 2018/19

Appendix B – Audit Findings Report 2019/20

Chris Moister
Director of Governance

Report Author:	Email:	Telephone:	Date:
Chris Moister/ Victoria Willett/ James Thompson/ Chris Sinnott	chris.moister@southribble.gov.uk	01257 515160	18/01/20