Update on Corporate Governance 2018/19 Areas of Improvement
Report by the Chief Executive

1   Purpose of Report

1.1   The purpose of this report is to provide an update to the Audit
        Committee on the Council's progress with implementation of Actions
        associated with Areas of Improvement in its Annual Governance
        Statement 2017/18.

2   Background

2.1   The final Annual Governance Statement 2017/18 was included within
        the audited Statement of Accounts 2017/18 which were presented to
        Audit Committee on 25 September 2018. Management's proposal,
        which was to report on Corporate Governance 2018/19 Areas of
        Improvement progress to Audit Committee on a quarterly basis, was
        included in the Audit Committee Actions Log presented at the meeting
        on 25 September 2018.

2.2   Part of the Audit Committee's role is to review the Council's corporate
        governance arrangements against the good governance framework and
        consider annual governance reports and assurances.

3   Progress Update

3.1   The initial steps undertaken by Management included the identification
        of specific tasks associated with the Action Plan that underpin the
        2018/19 Areas of Improvement, each of which has an assigned owner,
        target date, RAG status, and evidence of implementation. Monitoring
        Meetings have taken place on a regular basis to assess progress with
        implementation of Actions, and to take any necessary steps to address
        any areas of concern.

3.2   The Appendix to this report provides an update to the Audit Committee
        on the Council's progress with implementation of Actions associated
        with Corporate Governance 2018/19 Areas of Improvement at 8
        November 2018.

3.3   In summary there has been good progress with implementation of
        Actions associated with Corporate Governance 2018/19 Areas of
        Improvement. For each of the Actions some of the tasks are complete,
        others are underway, and there are plans and resources in place to
        complete the remaining tasks by end March 2019.

4 Report Implications

4.1 Resource

Implementation of actions associated with 2018/19 Areas of Improvement is being delivered within existing resources.

4.2 Risk

Implementation of actions associated with 2018/19 Areas of Improvement is designed to reduce the risks within the Council.

4.3 Single Midlothian Plan and Business Transformation

Themes indirectly addressed in this report:

- ☒ Community safety
- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

4.4 Key Priorities within the Single Midlothian Plan

Although this report does not relate directly to the key priorities within the Single Midlothian Plan (Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the gap in economic circumstances) by improving internal controls and governance more resources might be available to support achievement of the Council's objectives.

4.5 Impact on Performance and Outcomes

Implementation of actions associated with 2018/19 Areas of Improvement is designed to improve performance and outcomes to support achievement of the Council's objectives.

4.6 Adopting a Preventative Approach

Having robust internal controls and governance contributes to safeguarding the Council's resources, for delivery of services, as part of protecting the public purse.

4.7 Involving Communities and Other Stakeholders

The Council delivers in services through appropriate engagement with communities or other stakeholders.

4.8 Ensuring Equalities

There are no equalities issues with regard to this report.

4.9   Supporting Sustainable Development

There are no sustainability issues with regard to this report.

4.10   IT Issues

There are no IT issues with regard to this report.

5   Recommendations

The Audit Committee is therefore asked to consider the progress made by Management against the Corporate Governance 2018/19 Areas of Improvement, and note that the next update to the Audit Committee will be included within the Annual Governance Statement 2018/19 as part of standard practice.

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The following table sets out improvements to the governance framework which are to be progressed in 2018/19. Where areas have been identified specifically through the Roads Investigation, the reason for the necessary improvement has been noted. Progress on these Proposed Actions for 2018/19 is shown to enable effective monitoring of the implementation of the Areas for Improvement by Management and the Audit Committee.

Area for Improvement	Proposed Action in 2018/19	Progress as at 8 November 2018
1. Ensure there are sufficient Contract Management Procedures and Controls in place to prevent unauthorised payments. During the investigation, it became apparent payments had been made to a non-contracted supplier.	Review contract management procedures and controls ensuring that there are adequate segregation of duties and oversight / checking of compliance with the contract by Senior Management. Review the roles and responsibilities of Senior Managers to ensure an adequate understanding, awareness and accountability for day-to-day activities undertaken in their areas of responsibility.	A Contract and Supplier Management Review is underway. Review and document contract management arrangements on award of new contracts is underway. Directors issued reminders to Managers. Procurement Manager to attend DMTs to raise awareness of new Procurement Strategy and guidance.
2. Ensuring effective counter fraud and anti-corruption measures are in place. Whistle-blowing allegations have been received relating to Council employees being too close to contractors.	Provide regular training to all staff to promote an understanding and awareness of the implications of the Bribery Act 2010, potential corruption in the workplace and the Council's policy on Bribery & Corruption, and client / contractor relationships. Instruct Staff involved in tendering contracts and allocating work to Contractors to read and acknowledge the Council's policies on Bribery & Corruption and Gifts & Hospitality. Review and promote the Council's Whistleblowing policy and the mechanisms for raising concerns, anonymously if desired, for Staff & Public.	E-learning module on Procurement Fraud Awareness launched 3 September 2018 – (monitoring underway). E-learning module on Bribery Act launched 5 November 2018. 2018 procedures include this requirement. Directors issued reminders to Managers. Staff communications have been issued and Corporate Fraud Annual Report 2017/18 highlighted channels for Whistleblowing.

Area for Improvement	Proposed Action in 2018/19	Progress as at 8 November 2018
3. Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated.	Review and update policies across the Council including: Code of Conduct, the creation of a standalone Gifts and Hospitality Policy, Gifts and Hospitality Register, Register of Interests (to record and manage potential Conflict of Interests), and Secondary Employment. This should include appropriate authorisations (approvals and refusals) and the central recording of declarations to enable regular and discrete review (Gifts and Hospitality, Register of Interests, and Secondary Employment).	Code of Conduct update to reflect standalone Gifts and Hospitality policy, Gifts and Hospitality Register, Register of Interests and Secondary Employment Register and the requirement to record these centrally is being developed by HR. Aim to take proposals through Corporate Management Team then staff/trade union consultation prior to Committee approval.
4. Enhance ongoing monitoring and review of payments to Suppliers to complement the Budget Monitoring processes. More robust processes may have highlighted payments to non-contracted suppliers sooner.	Review the process for approving and setting up new Suppliers on the payments database to enhance controls over creating a new Supplier. Regularly review payments to Suppliers to ensure they reflect the Council's contract arrangements with Suppliers.	E-Form introduced in 2017 as part of P2P Project. Process for creation of new suppliers has been reviewed. Periodic sample checks and quarterly monitoring to CMT – first report planned for December 2018.
5. Ensuring more robust recording and tracking of plant and equipment to optimise use of resources. The whistleblowing allegations also related to the use of Council equipment for non-Council related work. More robust recording and tracking of plant and equipment would address this concern.	Review the Asset Register and Fleet Management system to enable better recording of information and tracking of plant and equipment purchased by the Council. This should include a regular review of assets to ensure they can be accounted for.	Being progressed by the Acting Director of Resources with the new Roads Manager that has been appointed.

Area for Improvement	Proposed Action in 2018/19	Progress as at 8 November 2018
6. Develop supporting arrangements to provide a consistent approach to Business Continuity across the organisation.	Authority will be sought from the Corporate Management Team for the purchase of an online Business Continuity Management System which can be rolled out across the Council.	Proposal presented to Business Transformation Board on 7 November 2018.
7. Internal Audit review of Governance	An exercise will be undertaken in 2018/19 to re-shape the Annual Governance Statement to align more fully with the 7 core principles of the Local Code with the expectation that the Code will also be updated to reflect current practice within Midlothian Council.	Included within the Internal Audit Programme of Work.