

Health and Safety Executive Board Paper		HSE/07/18	
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**HEALTH AND SAFETY EXECUTIVE
The HSE Board
Internal Audit of Corporate Governance
A Paper by Rachael Radway, Head of Internal Audit and Assurance**

Cleared by Vivienne Dews on 27 February 2007

Issue

1. Corporate Governance is the way in which organisations are directed and controlled. It defines the distributions of rights and responsibilities among the different stakeholders and participants of the organisation, determines the rules and procedures for making decisions on corporate affairs including the process through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance¹
2. Internal Audit and Assurance (IAA) has recently completed a high level audit review of Corporate Governance within HSC/E, provided to you with this report. The findings and proposed actions have been agreed with the relevant individuals and are now presented to the HSE Board for information and to agree next steps.

Timing

3. The Board to note the findings of the audit and agree to take forward the proposed actions, within the timescales set out in the audit report.
4. Agreement and proposals for implementation are needed in time for the audit report presentation to the March 2007 Audit Committee.

Recommendation

5. That the Board note the Audit Report and the proposed actions.
6. The report's key conclusion is that HSC/E has the majority of the key components of a corporate governance framework in place. However, there is a need to improve our understanding of the areas in which we need assurance, identifying any gaps, and considering the best sources of assurance. The report includes an action plan designed to embed, improve and strengthen Corporate Governance within HSC/E.

¹ HM TREASURY - Corporate Governance in central government departments: Code of good practice – July 2005

Background

7. Corporate Governance is not a new concept within HSC/E and it has been the subject of a number of board and commission papers in the past few years². The links between Corporate Governance and Business Risk Management have also been highlighted to the board³.
8. This audit was incorporated into the audit plan during 2007/08 as the last detailed review of the organisation's corporate governance arrangements was undertaken by Deloitte in 2002. Using a governance framework, and guidance from a number of sources, internal audit identified and assessed HSE against the key components of a governance framework.

Argument

9. By effectively taking forward the actions highlighted in the audit report, HSC/E will make significant progress towards developing and embedding:-
 - a. a stronger system of internal control within HSC/E; and
 - b. a mechanism to provide managers at all levels with sound assurance over activities within their area.
10. Improvements to HSC/E Corporate Governance will also assist us to meet HM Treasury and sponsoring body (DWP) requirements.

Consultation

11. As part of the audit fieldwork IAA has consulted with HSC/E senior managers and board members, DWP, National Audit Office and HM Treasury.

Presentation

12. None required

Costs and Benefits

13. N/A

² Examples – HSC paper MISC/04/31 – Dec 2004, HSE paper B/02/031 – July 2002

³ HSE Board minutes – 3 March 2004 – HSE/04/M04 - "The corporate risk register was an important aspect of Corporate Governance for HSE"

Financial/Resource Implications for HSE

14. Initially staff related resources will be required across HSE to develop the improvements and take the actions set out in the action plan. A number of the actions relate to internal audit and the resources are in place to deliver the planned audit activity in 2007/08. It is estimated that approximately £105,000 of the audit budget will be used for this work. Until more detailed plans are drawn up for the remaining actions, it is not possible to determine estimated resource implications.
15. The costs involved in strengthening Corporate Governance as described and embedding the Corporate Governance framework will be offset by the improvements in HSC/E internal control and assurance mechanisms. These will comply with HSC/E, DWP and H M Treasury standards and provide managers at all levels with a sound basis for assurance over the effectiveness of control in their area of accountability. Improved control should also assist them to identify areas where efficiencies can be made.
16. The cost of undertaking and reporting this audit is approximately £12,000.

Environmental Implications

17. None.

Other Implications

18. Where possible NAO take assurance from HSE Internal Audit activity and will therefore examine the findings of this audit report. DWP Internal Audit/NAO may also refer to it as part of the joint audit of DWP Stewardship of NDPBs which they are due to undertake.
19. As highlighted in the audit report, there is a link between HSC/E Corporate Governance issues and the proposed new governance arrangements for HSC/E⁴. Progress in relation to the proposed changes in the HSC/E structure will need to be factored into actions agreed and decisions taken.

Action

20. The HSE Board to agree the audit report findings and commit to accepting responsibility for action as set out the Corporate Governance Action Plan.

⁴ <http://www.hse.gov.uk/consult/condocs/cd210.htm>