

AUDIT AND GOVERNANCE COMMITTEE

20 July 2018

ANNUAL GOVERNANCE REVIEW / STATEMENT 2017/2018

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 This report provides details of the 2017/18 Annual Governance Review, the Risk and Assurance Map at the end of the year and the Internal Audit opinion on the adequacy of the overall system of internal control. A Draft Annual Governance Statement and an improvement plan for the year ahead are included.

2. Description of Decision

- 2.1 The Audit and Governance Committee are asked to consider the report and agree the improvement plan and draft Annual Governance Statement.

3. Background

- 3.1 In March 2017 the Committee approved the proposed Risk and Assurance Map for 2017/18 and the plans of work for Internal Audit and the Risk & Assurance team.
- 3.2 A key feature of the integrated assurance framework is to co-ordinate assurance that could be provided by other sources within the Council and external sources. The results of this assurance work are used to review the Council's corporate governance arrangements on an annual basis.
- 3.3 The Local Code of Corporate Governance is reviewed annually to ensure that it is up to date and effective. The Council is also required to publish an Annual Governance Statement (AGS), with its Statement of Accounts which must be supported by a comprehensive assurance gathering process.

4. Annual Governance Review 2017/18

- 4.1 The review was undertaken by gathering assurance throughout the year from a number of sources via the Integrated Risk and Assurance Framework.
- 4.2 The review has considered assurance provided from:
- Heads of Service throughout the year
 - Executive and Corporate Directors
 - Members
 - Specialist functions with an oversight of governance arrangements

- Risk and Assurance Team
- Internal and External Audit
- Other external agencies such as OFSTED

Risk and Assurance Map

- 4.3 The assurances gathered are shown in the Risk and Assurance Map which is updated and reviewed on a quarterly basis and presented to the Chief Officers Group and the Audit and Governance Committee throughout the year. The Audit and Governance Committee have monitored the assurances provided, received progress updates regarding specific issues and considered the performance of the Internal Audit team.
- 4.4 The corporate governance improvement plan for 2017/18 included six actions. A review of progress on these actions and found that four are complete and two are ongoing which have been included in the Improvement Plan for 2018/19, they relate to the arrangements to comply with the General Data Protection Regulations and the review of the arrangements in place in relation to key contracts.
- 4.5 From the work undertaken, the Risk and Assurance Map as at 31st March 2018 is shown at Appendix 1.

Strategic Risk Areas

- 4.6 The top section of the Map relates to the risks identified in the Strategic Risk Profile, which is based on the Council's Corporate Plan. Progress against each of the planned actions to mitigate the risks has been assessed with the lead officers and assurance levels determined for all areas.

Assurance from Internal Audit

- 4.7 The Map shows the opinion of Internal Audit from work undertaken within 2017/18 and the preceding three years.
- 4.8 The red rating from Internal Audit in relation to the risk area Protecting Vulnerable Adults has resulted from an audit regarding the Council's Social Care Personal Budgets arrangements. This has been previously reported and the Head of Adult Social Care will be in attendance at the Committee to provide an update on progress.
- 4.9 A draft internal audit report was issued regarding Corporate Asset Management arrangements which included a significant recommendation in relation to the development of a central record of the Council's statutory responsibilities and current level of completion/performance.

Assurance from Risk and Assurance Team

- 4.10 Much of the work of the team is ongoing over a period of time due to the nature of their role, however, where ongoing assurance can be provided from

their work this is shown on the Map. Assurance work that will be on-going into 2018/19 includes:

- Assurance in relation to regeneration activity, including major schemes such as SSTC phase 3, enterprise zones, development of the Vaux site and the International Advanced Manufacturing Park.
- Delivery of key events such as the Tall Ships and the Airshow.
- Key ICT developments, including moving to the Microsoft Cloud and implementation of Office 365.
- Update of key SAP systems and optimising their use to deliver efficiency savings.
- Development of assurance arrangements in relation to the Council's statutory health and safety and premises management requirements.

Assurance from others within the Council

- 4.11 Assurance provided from others within the Council is shown in the Risk and Assurance Map. This predominantly shows substantial assurance against the risk areas.
- 4.12 Financial pressures continue with regard to the funding of Together for Children Ltd.

Assurance from Management

- 4.13 Arrangements have been developed to obtain assurance from service management in a number of areas. Members will note that the majority of risk areas are shown as having substantial assurance.

Assurance from External Sources

- 4.14 The Map includes feedback received following a number of OFSTED inspections and the external auditor. The opinions rated "limited" are as a result of reviews of the Council's Children's Safeguarding Services as previously reported. Further reviews from Ofsted in relation to Children's Safeguarding will be reported in due course.
- 4.15 An independent review of Land and Property Disposal and Acquisition was commissioned following a complaint by a member of the public. The review concluded that there was no evidence of any inappropriate relationships and no evidence to suggest that the council failed to comply with its duty under law to achieve the best value that can reasonably be obtained when disposing of land. However it did identify some areas of non-compliance with the council's own policy and procedures and recommended some areas of improvement.

Overall

- 4.16 The overall level of assurance for all risk areas has not changed from the update report presented in March 2018.

Internal Audit Performance

- 4.17 All of the targets set for Internal Audit were achieved apart from the implementation of medium risk recommendations which stands at 89% against a target of 90%.
- 4.18 From the original 62 audits included within the Council's audit plan eight were not completed as follows:
- Two maintained schools converted to Academies.
 - The Corporate Health and Safety audit was deferred into 2018/19 as the arrangements are being developed with support from the Risk and Assurance Team.
 - The audit of the updated SAP procedures has been deferred into 2018/19 as the procedures are still being designed and implemented, with support from the Risk and Assurance Team.
 - The audit of the Council's service business planning arrangements was deferred into 2018/19 as the arrangements were still being developed.
 - The Council's ICT infrastructure arrangements are being transformed with a move to the Microsoft Cloud and implementation of Office 365 and associated programmes. The Risk and Assurance Team have been supporting this programme of work and audit work has therefore been deferred into 2018/19.
 - The Internal Audit team has had two members of staff on long term sick for a total of 4 months and therefore two further audits could not be completed, these are Budget Setting and Monitoring, and Workforce Planning and Apprenticeships. Budget monitoring will be covered in a range of audits in 2018/19 and the Council's system for maximising the use of funding for apprenticeships will also be audited.
- 4.19 A further audit of Corporate Partnership Arrangements was ongoing at the end of the year and was completed by the end of April 2018.
- 4.20 This means that 85% of the planned audits were completed, and an additional unplanned audit of the grant return for the Better Care Fund/Disabled Facilities Grant was also completed during the year. Therefore, it is considered that sufficient internal audit work has been undertaken along with other assurances gathered to provide an internal audit opinion on the Council's overall system of control.

Counter Fraud / Error Work

- 4.21 Planned counter fraud / error work was undertaken in the following areas during the year:
- Bank accounts;

- BACS transactions;
- Business rates refunds;
- Revenue procurement;
- Homecare payments;
- Cash receipting
- Council Tax recovery
- Accounts payable recovery
- Free school meals.

4.22 The work carried out did not highlight any significant issues however some opportunities for improvements to the control environment were identified, which are being progressed.

Corporate Governance Improvement Plan

4.23 As a result of this review a small number of improvements have been identified to strengthen the arrangements and these are detailed at Appendix 2. The Improvement Plan also includes a small number of areas that the Council is already addressing but inclusion in the plan will facilitate monitoring to ensure that the planned actions are delivered within a reasonable timeframe bearing in mind the importance / nature of the actions.

Compliance with the Public Sector Internal Audit Standards

4.24 Internal Audit continues to comply with the Public Sector Internal Audit Standards through the standards being built into audit working practices.

5. Draft Annual Governance Statement

5.1 The Annual Governance Statement has been drafted taking into account the findings of the annual governance review and is attached at Appendix 3.

6. Conclusion / Opinion

6.1 This report sets out the assurance provided in the Risk and Assurance Map, work undertaken by the Internal Audit team and performance for Internal Audit for 2017/18.

6.2 Results of the internal audit work undertaken / assurances gathered have not highlighted any issues which affect the opinion that overall throughout the Council there continues to be an adequate system of internal control.

6.3 The Council continues to have robust and effective corporate governance arrangements in place, with improvements to Children's Safeguarding being overseen by the Chief Executive and Operational Commissioning Group. The views elicited during the review from Members, senior managers across the Council, and all Chief Officers, demonstrate that the principles of good governance continue to be embedded Council-wide.

7. Recommendations

7.1 The Audit and Governance Committee are asked to:

- note the report and Risk and Assurance Map at Appendix 1
- consider and agree the Improvement Plan included at Appendix 2, and
- consider and agree the draft Annual Governance Statement at Appendix 3.