

AUDIT AND GOVERNANCE COMMITTEE

26 April 2019

ANNUAL GOVERNANCE REVIEW / STATEMENT 2018/2019

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 This report provides details of the 2018/19 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. An updated Local Code of Corporate Governance, 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 updated Local Code of Corporate Governance,
 - draft Annual Governance Statement, and
 - Improvement Plan.

3. Background

- 3.1 In March 2018 the Committee approved the proposed Risk and Assurance Map for 2018/19 and the plans of work for Internal Audit and the Risk & Assurance team.
- 3.2 A key feature of the Council's Integrated Risk and 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. Minor amendments have been made to the Local Code to reflect the development of a new City Plan and is attached at Appendix 1. 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 2018/19

- 4.1 The review was undertaken by gathering assurance throughout the year from several sources via the Integrated Risk and Assurance Framework.

4.2 The review has considered assurance provided from:

- Heads of Service
- Executive and Corporate Directors
- 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. The Risk and Assurance Map as at 31st March 2019 is shown at Appendix 2.

Strategic Risk Areas

4.4 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

4.5 The Map shows the opinion of Internal Audit from work undertaken within 2018/19 and the preceding three years.

4.6 The red rating from Internal Audit in relation to the risk area Protecting Vulnerable Adults relates to an audit regarding the Council's Social Care Personal Budgets arrangements. This has been previously reported to the Committee. Good progress has been made in implementing the agreed actions and the Assistant Director of Adult Services will attend the committee to provide a further update.

Assurance from Risk and Assurance Team

4.7 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 has been on-going in 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.
- Project regarding the move to the new City Hall.
- Development of assurance arrangements in relation to the Council's statutory health and safety and premises management requirements.

Assurance from others within the Council

- 4.8 Assurance provided from others within the Council is shown in the Risk and Assurance Map. This predominantly shows substantial assurance against the risk areas.
- 4.9 Financial pressures continue with regard to the funding of Together for Children Ltd, however the financial management arrangements within the Company have significantly improved.

Assurance from Management

- 4.10 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

- 4.11 The Map includes feedback received following the OFSTED inspection and the external auditor. The opinions rated "limited" are as a result of the Ofsted inspection of Children's Safeguarding Services as previously reported.

Overall

- 4.12 The overall level of assurance for all risk areas has not changed from the update report last presented to the Audit and Governance Committee.

Internal Audit Performance

- 4.13 All of the targets set for Internal Audit were achieved apart from the implementation of significant recommendations which currently stands at 92% against a target of 100%, this relates to the audit of Social Care Personal Budgets, and medium risk recommendations which stands at 88% against a target of 90%.

- 4.14 From the original 51 audits included within the Council's audit plan 5 were not completed as follows:
- One grant audit was no longer required.
 - Three audits were related to the implementation of the upgraded SAP system. The implementation of some of the elements of this project has been delayed therefore the audits will be covered in the Benefits Realisation audit in 2019/10.
 - The audit of the Liquid Logic system in adult services has been delayed as the directorate are undertaking a review of its operation. In the meantime, support is being provided to this review and the audit will be rescheduled during 2019/20.
- 4.15 This means that 92% of the planned audits were completed, and an additional two unplanned audits were 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.
- 4.16 It is confirmed that the internal auditors undertaking the work continue to remain independent of the areas audited.

Counter Fraud / Error Work

- 4.17 Planned counter fraud / error work was undertaken in the following areas during the year:
- Building Maintenance Financial Management;
 - Revenue Procurement;
 - Use of Agency Contract;
 - Payroll compliance testing;
 - BACS;
 - Accounts Payable;
 - Cash Receipting;
 - Accounts Receivable/Periodic Income;
 - Derwent Hill;
 - Refuse Collection.
- 4.18 In addition, audit work was also undertaken on the information published by schools on their website.
- 4.19 The work carried out did not highlight any significant issues however some opportunities for improvements to the control environment were identified, which have been reported upon.

Corporate Governance Improvement Plan

- 4.20 The corporate governance improvement plan for 2018/19 included six actions. A review of progress on these actions and found that five are complete and one is ongoing which is in relation to the implementation of the agreed actions arising from the internal audit of Corporate Asset Management arrangements. This will continue to be followed up by Internal Audit.
- 4.21 As a result of this review a small number of improvements have been identified to strengthen the arrangements and these are detailed at Annex 1 of the Annual Governance Statement. The Improvement Plan 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

- 4.22 Internal Audit continues to comply with the Public Sector Internal Audit Standards (PSIAS) through the standards being built into audit working practices. This was confirmed during an independent review of the service by the council's external auditors Mazars in December 2018, which concluded:

'We conclude that the IA is compliant with the requirements of the PSIAS and the CIPFA Application Note.'

The full report by Mazars is being presented to the Audit and Governance Committee on 26th April 2019.

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 2018/19.
- 6.2 The opinion of the head of internal audit has been reported to the Audit and Governance Committee throughout the year. This opinion continues to be that the Council has 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 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 2,
- consider and agree the Improvement Plan included at Annex 1 to the Annual Governance Statement, and
- consider and agree the draft Annual Governance Statement at Appendix 3.