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**AUDIT COMMITTEE: 01 February 2016**

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**ANNUAL GOVERNANCE STATEMENT ACTION PLAN**

**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 5.1**

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**Reason for this Report**

1. The Audit Committee Terms of Reference requires that they review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
2. This report provides Members of the Audit Committee with the Annual Governance Statement mid year position. To outline the AGS framework and inform the Committee of the Senior Management Team's mid year responses to the Senior Management Assurance Statements (SMAS).

**Background**

3. The Annual Governance Statement is a key governance document which forms part of the Statement of Accounts. It is underpinned by a Governance Framework, adopted from the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.
4. The Audit Committee reviews the Annual Governance Statement prior to approval and considers whether it properly reflects the risk environment and supporting assurances. The SMAS responses are supporting assurance documents which contribute to the Annual Governance Statement (AGS).
5. The AGS is informed by a number of other internal and external assurance sources, supported by an assurance mapping process and a governance working group. Internal Audit currently co-ordinate much of the work on this.
6. A consultation document was produced last summer "Delivering Good Governance in Local Government", and the Council provided a response. This has the potential to significantly change the framework we have used for the past 4 years and much preparatory work has been completed, in anticipation of changes proposed. Recent confirmation has been received from CIPFA that the current framework will be used for the Annual Government Statement for 2015/16. Any new arrangements will be introduced next year.

7. A process of engagement and consultation with key stakeholders and AGS contributors and a facilitated workshop to map and align assurance sources to the governance framework has been put in place. The draft AGS will then be prepared after the year end.

### Senior Management Assurance Statements

8. For several years each Director has been asked to complete a SMAS, with responses reviewed by the Audit & Risk Manager. The statements received contribute to ongoing reviews of governance and risk management.
9. The purpose of the SMAS exercise is to provide a true reflection of the governance arrangements in place within the Council. Good governance ensures that as a Council we are open and transparent in our affairs and any areas which are of concern at a corporate level are identified and managed.
10. This is the first SMAS exercise since the Senior Management restructures which took place at the beginning of the financial year (2015/16) and resulted in the number of Directors reducing from eleven to seven.
11. Completion of the SMAS requires each Director to respond to a number of statements with regards to the functions for which they have been responsible during the financial period. In addition, there is a requirement to declare if any significant governance issues have occurred during the period, which may merit inclusion on the Annual Governance Statement Action Plan, in addition to providing updated comments on four ongoing significant governance issues.
12. Since the last exercise, completed at the end of the financial year 2014/15, the SMAS pro forma has been refreshed to require Directors to provide examples and comments in support of their responses. Audit Relationship Managers have met with their respective Directors to discuss SMAS responses. This involved attendance at most Directorate Management Team meetings where Directorate responses were discussed, challenged where appropriate and collated.
13. A framework is being developed to review responses by managers with expertise in risk management, procurement and performance information disciplines. This secondary review will be introduced to validate the accuracy and consistency of responses and provide more robust assurance at the year end position in support of the AGS for the 2015/16 financial year.

### Chief Executive Assurance Statement

14. A Chief Executive Assurance Statement is being developed and the intention is that this will be introduced to support the 2015/16 AGS. This will ensure a complete set of assurance statements from Senior Management at the year end position.

### **Issues**

15. All seven Directors completed and returned a SMAS. A summary of the responses is included in Appendix A to this report.

16. From the 46 assurance statement responses from each Director, there was a 93% (301) 'yes' response, 6% (19) 'partly' and 1% (2) 'no' response. Although, there was a high proportion of positive responses to key assurance statements overall, in some areas a need for improvement was identified. Internal Audit has subsequently engaged with relevant managers to provide support in respect of risk management.
17. The SMAS response identified that risk management arrangements were incomplete in the City Operations Directorate. Consequently, the Audit and Risk Manager and Principal Auditor (Risk and Governance) facilitated a risk management workshop with the City Operations Management Team. The training was well received by the Directorate who have committed to developing a Directorate Risk Register to coincide with the development of the Directorate's Delivery Plan for 2016/17.
18. In the mid-year SMAS responses, the four significant issues identified in the AGS for 2014/15 were updated by Directors in their returned Statements, and these are shown at Appendix B, along with any emerging new issues faced within their directorates. This will need to be reassessed later in the year and featured in the current year AGS as closed or ongoing issues. All responses are being used to inform audit priorities through an Audit Planning and Assurance working group within Internal Audit.

### **Reasons for Recommendations**

19. To inform the Audit Committee of the summary content of the returned Senior Management Assurance Statements, which support the ongoing in-year monitoring and review of governance issues and actions.

### **Legal Implications**

20. There are no direct legal implications arising from this report.

### **Financial Implications**

21. There are no direct financial implications arising from this report.

### **Recommendations**

22. The Audit Committee to note the AGS framework and summary of returned SMAS questionnaires, which contribute to the mid year AGS position.

**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES**

**Date: 11.01.16**

*The following Appendices are attached:*

**Appendix A - SMAS Mid-Year Director Responses 2015/16**

**Appendix B - SMAS Significant Issues (Mid-Year Responses 2015/16**