

AUDIT COMMITTEE: 20 June 2017

SENIOR MANAGEMENT ASSURANCE STATEMENTS - 2016/17 YEAR-END

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.1

Reason for Report

1. The Audit Committee's Terms of Reference requires Members to review the Annual Governance Statement (AGS) 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. The Audit Committee is also required to consider the Council's corporate governance arrangements against the good governance framework by way of the process of compiling the AGS.

Background

3. The Senior Management Assurance Statements (SMAS) are a key self-assessment component of the AGS by the Senior Management Team (SMT) and are summarised in Appendix A. The results filter into an overall 'Assurance Statement' from the senior management team (Appendix B), and an 'Action Plan of Significant Governance Issues' (Appendix C), each of which are reported in the AGS.
4. On 14 March 2017 the Audit Committee received a copy of the draft AGS, and a report on the changes to the AGS assessment for the financial year 2016.17. The changes have been made to:
 - Promote improvements to governance through more open and transparent self-assessment processes, reporting and ownership by SMT.
 - Ensure adherence with a revised 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

Senior Management Assurance Statements

5. A SMAS process has been in place for a number of years and the existing process involves each Director completing a SMAS disclosure on a biannual basis, with the year-end position being endorsed by the Chief Executive and captured as a key element of the AGS.
6. The opportunity has been taken to enhance the SMAS process at the year-end position, to move beyond a compliance assessment and into an assessment of governance

maturity. This is to enable an open assessment of the relative governance strengths and areas requiring attention.

7. The SMAS pro forma has subsequently been reviewed and it was agreed in the Senior Management Team (SMT) in March 2017 that each Director must engage their management teams in an evidence-based review, and that the assessment rating system would move from a 3-point compliance system to a 5-point maturity assessment, ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'.
8. This more challenging and evidence-based process has aimed to demonstrate more clearly the different levels of achievement across directorates, and to facilitate proportionate priority actions for directorates, where required. The rating system is aligned to the Audit Committee Self-Assessment scale which is used for annual review purposes, in order to make the assessment more understandable and comparable.

AGS Action Plan

9. An AGS action plan of significant governance issues is owned and maintained by the Senior Management Team (SMT). It represents the most significant governance issues which require monitoring, reporting and management at the senior level, when reflecting on the results of the SMAS.
10. On a biannual basis the Chief Executive and all Directors each review the action plan of significant governance issues. They then meet collectively to discuss and agree the progress made against the action plan, any changes to its composition, and actions required. The year-end action plan is included in the AGS.
11. Audit Committee received the mid-year Action Plan in January 2017.

Issues

Senior Management Assurance Statements

12. There were 23 assurance statements answered by each Director, following engagement and review by their respective management teams. The results of the statements, summarised within 9 categories are included in Appendix A and translated into a senior management statement in Appendix B.
13. The results showed an overall 'strong' application of good governance across the assurance areas. The greatest maturity was identified in relation to performance management, upholding internal controls, compliance, the prevention and detection of fraud and monitoring and managing a challenging budget position. These areas were assessed as strong or above at rates between 71%-100%.
14. Risk management and programme and project assurance were assessed as having strong and above application at rates of 57% and 62% respectively.
15. Opportunities were identified to enhance the discipline of partnership governance and long term business decision making, for which there was a higher incidence of mixed application and evidence than other areas at 50% and 64% respectively.

16. The Senior Management Team met twice in May 2017 to discuss the SMAS results. In the first meeting the Chief Executive requested that a moderation exercise was conducted with each Director for his assurance on the consistency of scoring. Moderation took place towards the end of May, following which each Director took responsibility for submitting their final submissions.
17. The Chief Executive authorised the overall position on 30th May. At this point the need to prioritise actions for enhancement to enable 'strong' evidence of application across all areas was agreed. All Directorates have taken ownership of their assessments and the opportunity to focus on their individual areas for enhancement to governance maturity.

AGS Action Plan

18. Each member of the Senior Management Team contributed to an updated position against four existing significant governance issues. The following amendments were approved:
 - The Senior Management Team agreed in May 2017 that implementation of the actions from the 'WAO Corporate Assessment Follow On Report' are sufficiently underway to enable this matter to be removed as a significant governance issue.
 - One existing governance issue has been reframed and renamed 'relevance costs and decision making'. The issue formerly focused on the 'transparency of internal market prices', but now reflects a wider issue of cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.
 - The remaining two significant governance issues carried forward were approved to remain unchanged on the action plan at the 2016/17 year-end ('Capacity and Decision Making' and 'Commissioning Capability and Capacity').
19. Fourteen suggested new issues were also discussed at the Senior Management meeting on 30th May 2017. At this meeting, having considered each and the extent of 'mixed application' in the self-assessments, it was decided that two new issues would be added to the action plan of significant governance issues as follows:
 - 'Partnership / Collaborative Governance' - based on fully determining and defining the level of governance, assurance and reporting required to ensure a consistent and proportionate approach is applied.
 - 'Robust and Sustainable Savings' - based on ensuring robust business cases consistently underpin achievable savings proposals to deliver sustainable services.
20. The majority of the other issues presented were considered to be either subsets of existing governance issues from the existing action plan, or having a link to a corporate risk, through which they already being managed and reported.
21. The issues in the action plan will continue to be managed and formally reviewed on a bi-annual basis in 2017/18. As a result of the review, the five issues to carry forward at the year-end position have been updated and are shown in Appendix C.

Reason for Recommendation

22. To enable the Audit Committee to review and comment upon the self-assessed elements of the AGS.

Legal Implications

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

Financial Implications

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

Recommendation

25. The Audit Committee to review and comment upon the self-assessed elements of the AGS, namely the Senior Management Assurance Statements', the resulting overall 'Senior Management Statement' and 'Action Plan of Significant Governance Issues'.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
20 June 2017

The following Appendix is attached:

Appendix A - Summary of Senior Management Assurance Statements 2016/17 (Year-end)
Appendix B - Senior Management Statement
Appendix C - Action Plan of Significant Governance Issues