

AUDIT COMMITTEE: 26 JUNE 2018

COUNCIL INTERNAL CONTROL ENVIRONMENT

REPORT OF CHIEF EXECUTIVE

AGENDA ITEM: 6.1

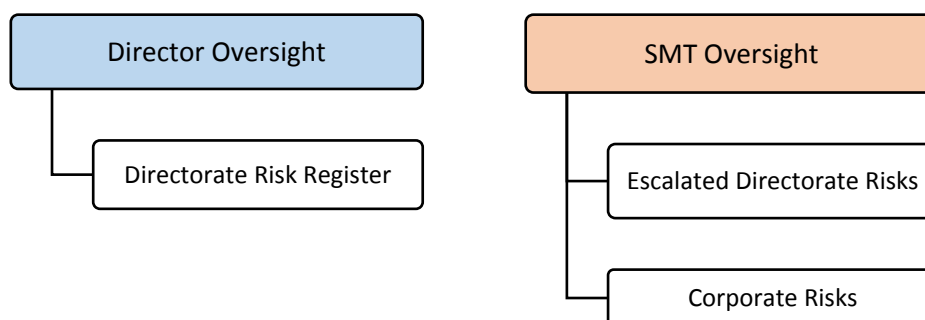
Reason for this Report

1. This report provides the view of the Chief Executive in respect to governance and control across the Council.

Issues

Risk Management

2. The Council's Capital Ambition involves the coordination of a wide range of diverse functions and programmes of work. Delivering our objectives requires the management of a wide range of risks on a daily basis at both operational and strategic levels. We have a progressive and aspirational risk management approach, through which we focus on identifying the key risks to our delivery, from which we develop and implement actions to achieve targeted risk levels.
3. Our approach to risk management ensures that Senior Managers are supported to ensure that risks are identified and reported to the right level in a timely manner. Officer risk champions and operational managers support each director in formally identifying and reviewing their operational and strategic risks on a quarterly basis, whilst being on hand for ongoing advice, guidance and support.
4. To report new and emerging risks, we have a process of risk escalation through which our directors communicate significant risks to SMT to raise collective awareness and support. Whilst directors are accountable for deciding which risks they escalate to SMT, as a minimum requirement all 'red' residual risks are escalated each quarter.



5. To ensure the corporate risk register is a current reflection of the primary risks to our objectives, we formally review and update it on a quarterly basis. We prioritise managing

the Council's most critical risks, in particular red residual risks, and any increase in residual risk.

6. We have developed target risk ratings for our 'red' residual corporate risks, and have set challenging, but achievable, timescales for reducing these risks. Of our eight red residual corporate risks at the end of Q4 2017/18, we have target residual risk levels for six risks as follows.

Red Risk Targets – Corporate Risk Register.

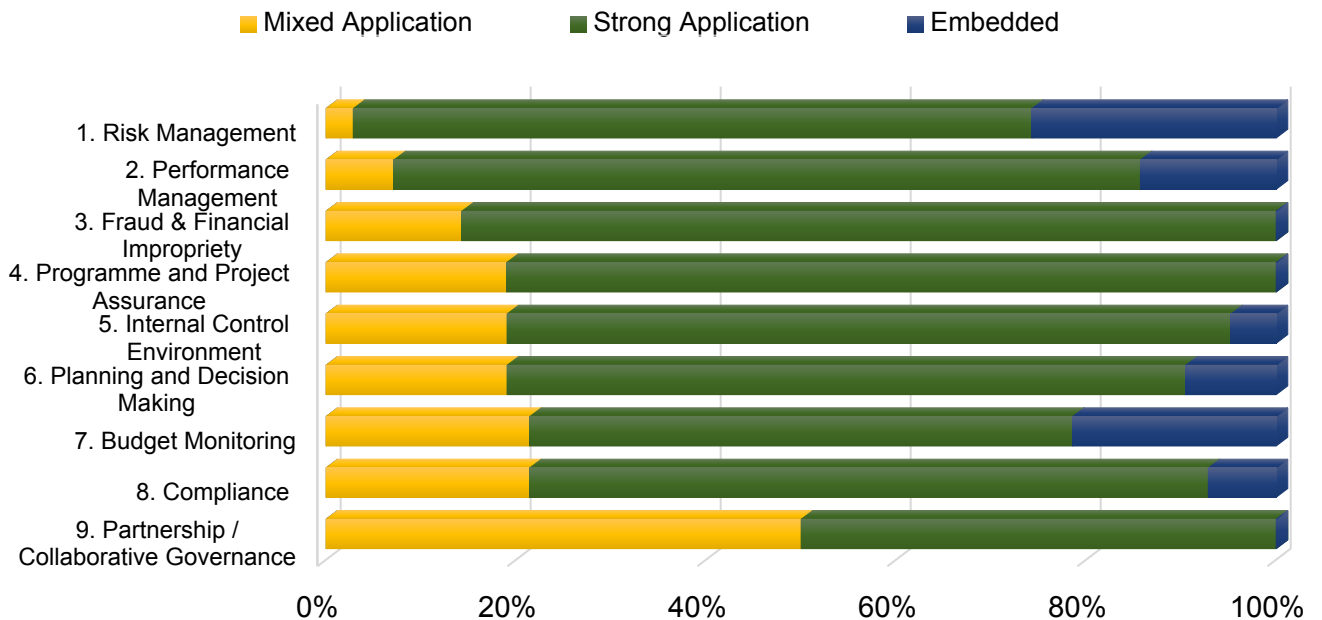
No.	Risk	Risk Rating		Target Date
		Current	Target	
1.	Health and Safety	B1	C3	B2 by Q1 2018/19 then C3 by Q1 2019/20
2.	Statutory Building Equipment Maintenance	B1	C3	B2 by Q1 2018/19 then C3 by Q1 2019/20
3.	Coastal Erosion	B1	D1	Q4 2021/22
4.	Air Quality	B1	C3	Q1 2021/22
5.	Budget Monitoring – Control	B2	C2	Q4 2018/19
6.	Financial Resilience	B2	C2	Q3 2018/19

7. There are two corporate risks for which we are not currently in a position to target overall risk reductions. This is as a result of external factors, which have presented uncertainty and limited our levels of actual control.
 - a. **City security** – Our current focus is on making targeted incremental improvements through investment in the City infrastructure. We are actively engaged in partnership working to prevent, protect and prepare for a major security-related incident, but this is against the backdrop of the UK threat level of 'severe'.
 - b. **Welfare reform** – Our attention is firmly on managing the impact on citizens. Once there has been a greater roll out of Welfare Reform, we will have more certainty on the full impact, and will be in the position to identify and progress formal risk reduction targets.

Senior Management Assurance Statement (SMAS)

8. The senior management assurance process provides a strong internal challenge for us to continue to identify and target improvements in key areas of governance. Whilst the current process of assessing the maturity of our governance has only been in place for 12 months, the level of conversation, challenge and focus on improvement from SMT has been positive.
9. Each director has worked with their management teams to assess their directorate position, before submitting their returns for discussion in SMT. The SMT review is attended by the Audit Manager and a co-ordinating Principal Officer who are available to provide independent insight when we consider the overall position.
10. The year-end SMAS returns were presented to SMT on 22 May 2018, and following detailed discussion and review, the overall assurance statement for the annual governance statement (AGS) and the Action Plan of significant governance issues were approved, subject to a small level of moderation.

SMAS Analysis - 2017/18 (year-end)



11. Across the nine governance areas, our responses were at rates of ‘mixed’, ‘strong’ and ‘embedded’. During the year, we focussed on achieving strong assurance and above in all areas. At the year-end, we can report 83% are at a strong or greater assurance level, an improvement on the mid-year assessment of 77%.

12. On review of the seven SMAS returns on 22 May 2018, SMT decided to retain the five governance issues from the prior year on the ongoing AGS Action Plan. These issues continue to represent the key areas for development and ongoing monitoring. The list of governance issues is as follows, for which the full descriptions and current progress is included as part of item 8.1 of the audit committee agenda.

- Capacity and Decision Making
- Commissioning Capability and Capacity
- Relevant Costs and Decision Making
- Partnership / Collaborative Governance
- Robust and Sustainable Savings

13. The independent governance reviews from the internal audit team provide a secondary level of challenge and assurance on good governance, which supports senior management in affirming where we are working well, and where we need to develop. I understand that this year the internal audit team has produced governance reviews across all directorates.

Monitoring / implementing recommendations made in Internal Audit reports

14. The Audit Committee approves the Audit delivery for each year and Senior Management Team is involved in the compilation of the plan in conjunction with the Chief Audit Executive. I meet with the Chief Audit Executive on a regular basis where I receive a summary of the work being undertaken by audit and act as a point of escalation where needed. It is a positive step that Directors meet with their audit relationship manager on a regular basis to both receive audit reports, ensure that recommendations promptly acted upon and to consider areas of risk that need to be brought into future audit plans. The information I receive provides me with a level of independent assurance that I use in conjunction with the SMAS returns and the Corporate Risk updates.

15. I am pleased that there continues to be a significant audit presence in schools and that the use of themed audits across schools enabled 70% of schools to be visited during the year and that the Director of Education and Audit are communicating on a periodical basis to Chairs of Governors and Head Teachers. These communication sessions communicate the findings from the audits in order to get further improvements on compliance.
16. The need for prompt action on recommendations is a high priority and the improving visible performance across the Council in implementation in this area is positive. However, I recognise that the need to continue to provide assurance on key controls is of paramount importance at a time where the financial and demand pressures facing services is increasing. I encourage Directors to have a close relationship with the Internal Audit team and in all areas, there is clear evidence of an effective two-way communication between them.

RECOMMENDATIONS

1. That the Committee notes the contents of the report.

PAUL ORDERS
CHIEF EXECUTIVE
26 June 2018