

AUDIT COMMITTEE: 25 JUNE 2019

**ANNUAL GOVERNANCE & SENIOR MANAGEMENT ASSURANCE
STATEMENTS 2018/19**

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 8.1

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. Specific components of the AGS reported individually to the Audit Committee are the biannual Senior Management Assurance Statements (SMAS) and the AGS Action Plan of significant governance issues, following approval by the Senior Management Team. This report provides members of the Audit Committee with these outcomes at the year-end SMT review and the associated disclosures for inclusion in the AGS 2018/19 together with the full AGS for 2018/19 that will sit alongside the Council's Statement of Accounts.

Background

3. Senior Management Assurance Statements (SMAS) are used to assess governance maturity in application of the 'Delivering Good Governance in Local Government' framework, developed by CIPFA / SOLACE.
4. Through the SMAS, each Director responds to 23 good governance statements using a 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. Prior to submitting their returns, each Director is required to obtain underlying assurances from their management teams to support a directorate-wide response to each statement.
5. All SMAS returns are subject to challenge, review and approval in SMT. From the SMT meeting in May 2019, the following disclosures were approved, subject to a small level of moderation:
 - The agreed position of the Directorate Self Assurance levels
 - The Thematic Rankings of the 9 Categories of the model
 - An overall 'SMT Assurance Statement' to include in the AGS (Appendix A)
 - An 'Action Plan' of Significant Governance Issues for the AGS (Appendix B)
6. The Audit Committee reviewed the mid-year SMAS position and Action Plan on 22nd January 2019. The draft AGS for the financial year 2018/19 was presented to Audit Committee on 2nd April 2019, containing a gap for the results of the SMAS exercise, as the review takes place following the financial year-end.

Issues

Senior Management Assurance Statements

7. The 2018/19 process built on the previous year's by requiring a more comprehensive evidence base to support the assessment of the assurance level. Since the mid-year position, reported at the Audit Committee on 22nd January 2019, Directors have completed their end of year assessments and completed Senior Management Assurance Statements. As a reminder each of the 23 assurance statements are self-assessed and scores attributed to each, and in turn a score for each of the 9 Categories. This provides the opportunity to understand the overall level of self-assurance by directorate, a thematic view of the whole Council and highlights the areas brought forward as significant governance issues.

Directorate View

8. This view is based on the 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'.

Directorate	Self-Assurance Level
Economic Development	Mixed (bordering on Strong Assessment)
Education	Mixed (higher range of Assessment)
Governance and Legal Services	Mixed (middle range of Assessment)
People and Communities	Strong (lower range of Assessment)
Planning, Transport and Environment	Mixed (middle range of Assessment)
Resources	Mixed (bordering on Strong Assessment)
Social Services	Mixed (middle range of Assessment)

9. 2018/19 saw changes to the directorate structures and the services contained within directorates which does not make a year on year comparison possible.

Thematic View

10. This view is based on the 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'.

Assurance Categories	Self – Assurance Level
Budget Monitoring	Mixed (higher range of Assessment)
Risk Management	Strong (middle range of Assessment)
Fraud and Financial Impropriety	Mixed (middle range of Assessment)
Performance Measurement and Management	Mixed (higher range of Assessment)
Programme and Project Assurance	Mixed (middle range of Assessment)
Internal Control Environment	Mixed (higher range of Assessment)
Compliance with Policies, Rules and Regulatory Requirements	Mixed (higher range of Assessment)
Planning and Decision Making	Mixed (middle range of Assessment)
Partnership and Collaborative Governance	Limited (higher range of Assessment)

11. The increasing evidence base required for assessments has highlighted a shift to approaching Strong. The maturity assessment for 2017/18 highlighted opportunities to enhance the discipline of partnership governance and also identified opportunities, in some directorates, to target improvements in internal controls, compliance, the prevention and detection of fraud, budget monitoring, aspects of business planning and programme and project assurance. The 2018/19 maturity assessment also highlighted opportunities to enhance the discipline of partnership governance, planning and decision making, and compliance. These areas form the basis of the Annual Governance Statement Action Plan.

Update on AGS Action Plan 2017/18

12. The actions related to **capacity and decision making** were completed and those related to **commissioning capability and capacity** were met in part by refocussing key elements of commissioning into the Digital and Service Review Programmes.
13. The actions related to **robust and sustainable savings** were completed and governance arrangements are in place and that the issue of **relevant costs and decision making** focussed on raising awareness, business case development and the role of the Investment Review Board. Whilst **partnership and collaborative governance** has moved forward in relation to the development of the Public Services Board, governance related to regional partnerships remains an area to build upon through the introduction of the Corporate Framework for Working in Partnership.

Significant Governance Issues 2018/19

14. At SMT in May 2019 consideration was given to the issues brought forward from the analysis of the Senior Management Assurance Statements and considered that the following represent the most significant governance areas that require monitoring, reporting and management at the senior level.

- 'Informed, evidenced based decision making' including aspects of Future Generations and further assurance work in relation to partnership and collaborative governance
- Compliance, specifically around understanding the gaps in the compliance (conformance) with the corporate process to provide a more focussed assessment

15. These issues form the basis of the Action Plan of Significant Governance Issues (Appendix B) to be managed and formally reviewed on a bi-annual basis during 2019/20.

Annual Governance Statement

16. Audit Committee, in line with the Terms of Reference, provided comments on the draft AGS on 2nd April 2019 and as a result the AGS includes information related to the work of the Health and Safety Forum in 2018/19 as well as the results of the end of year Senior Management Assurance Statement process. The AGS has also been updated to include Statements from the

- Audit Manager
- Audit Committee
- Senior Management

Reason for Recommendation

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

Legal Implications

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

Financial Implications

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

Recommendation

20. 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'.

Christopher Lee
Corporate Director Resources
 June 2019

The following Appendices are attached:

Appendix A - SMT Assurance Statement 2018/19

Appendix B - Action Plan of Significant Governance Issues

Appendix C - Annual Governance Statement 2018/19

