REPORT FOR DECISION

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**27 APRIL, 2017**
SUBJECT:	**QUARTERLY GOVERNANCE STATEMENT - APRIL to DECEMBER 2016**
REPORT FROM:	**HEAD OF FINANCIAL MANAGEMENT**
CONTACT OFFICER:	**ANDREW BALDWIN**

TYPE OF DECISION:	**NON-KEY DECISION**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.

SUMMARY:	This report presents Members with a quarterly update on the Annual Governance Statement. The 2016/17 Annual Governance Statement was approved by Audit Committee on 19 July 2016.
OPTIONS & RECOMMENDED OPTION	The Committee is asked to note the contents of the report.
	Members are requested to consider the revised corporate risks at Appendix A (risk register to follow).

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Financial Implications and Risk Considerations:	The Annual Governance Statement is a fundamental document for recording, monitoring and communicating the effectiveness of the internal control framework within the Council.
Statement by Assistant Director of Resources & Regulation (Finance & Efficiency):	Failure to maintain an internal control and governance framework jeopardises the Council's ability to deliver economy, efficiency and effectiveness in the delivery of its priorities and ambitions.

Equality/Diversity implications: No

Considered by Monitoring Officer: Yes - Through the Governance Panel; the Monitoring Officer has raised no issues that require inclusion in the Quarterly Governance Statement.

Are there any legal implications?   No

Staffing/ICT/Property: No

Wards Affected: All

Scrutiny Interest: No

TRACKING/PROCESS   DIRECTOR: STEVE KENYON

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 27/04/17	

1.0   Purpose of the Annual Governance Statement

1.1   The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation's internal control and risk management system in order to give an assurance as to their effectiveness.

1.2   It is a mandatory requirement to produce a Governance Statement to accompany the Authority's Statement of Accounts – as presented on 19 July 2016.

1.3   It is accepted good practice to continuously review the internal control framework and make interim reports to those charged with governance – the Audit Committee.

1.4   The Council has adopted this practice since 2008 and refers reports to the Audit Committee on a quarterly basis.

2.0   Matters for consideration

2.1   Members are asked to:

- Note the report

3.0   Quarterly Update

3.1   <u>Risk Management</u>

3.1.1   A review has taken place of the risk management process which now provides for the reporting against assurance measures, improves alignment between financial, performance and risk management and introduces an additional risk score focussing on the "proximity" of the risk. The format of risk registers at both Corporate and Departmental levels now incorporate these changes.

3.1.2   The registers are web-based to allow "real time" update as and when circumstances require.

3.1.3   An officer-level risk management group meets quarterly to discuss operational matters. Meetings are scheduled to coincide with the quarterly meetings of the Corporate Risk Management Group. The Operational Risk Management Group met in October 2016 and their next meeting is scheduled to take place following the Corporate Risk Management Group meeting.

3.1.4   A Member-level Corporate Risk Management Group sits quarterly to review the Corporate Risks and take account of issues arising from the Operational Risk Management Group. The Corporate Risk Management Group last met on 14th March 2017.

3.1.5   The Corporate Risk Register has been updated to reflect the latest high level risks facing the organisation.

3.2   <u>Business Continuity</u>

3.2.1   The Corporate Business Continuity Plan has been updated to take account of the Council Emergency Response Plan for 2017/18. All services are in the process of reviewing their Business Continuity Plans with a completion date of 28th April 2017. A full review of critical services is also taking place across the Council with a completion date of the 28th April 2017.

3.2.2   A Business Continuity Planning Database has been developed to host these plans on the Intranet, and ensure appropriate arrangements are in place where services are inter-dependant.

3.2.3   Priority is on ensuring all new departmental structures and their respective service Business Continuity Plans are up to date on the Business Continuity Planning Database and that the Corporate Business Continuity Plan takes account of these changes and forms an integral part of the revised Generic Emergency Response Plan. Also that critical services are reviewed and again form an integral part of the Council's Emergency Response arrangements.

3.3   <u>Budget Monitoring</u>

3.3.1   Budget monitoring is undertaken on a monthly basis and quarterly reports are produced for Members.

3.3.2   The Q3 statement (i.e. April to December 2016) provides a summary of spend to date and a forecast outturn for the year. This continues to alert Directors to any pressures which they are required to address.

3.3.3   As such, it is critical that forecasts are accurate, evidence based and have been through a rigorous quality assurance process.

3.3.4   The Quarter 3 report went to both Cabinet and Overview & Scrutiny Committee on 22 February and 16 February respectively and will be reported in summary elsewhere on this agenda.

3.4   Work of Internal Audit

3.4.1   The Internal Audit Section operates according to a risk based Audit Plan.

3.4.2   During the period April to December 2016, the section has examined the following fundamental financial systems;

- Main Accounting system;
- Council tax;
- Creditors;
- Business Rates;
- Housing Rent;
- Cash and Banking;
- Debtors;
- Housing Benefit;
- Treasury Management;
- Payroll

3.4.3   The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the first quarter have produced a total of 188 recommendations. To date, none of these recommendations have been ranked RED – which would warrant specific inclusion in the Governance Statement.

3.5   Work of Governance Panel

3.5.1   The Governance Panel has now met regularly since its inception in November 2008, and continues to be a valuable arena to exchange information / concerns regarding the Council's governance arrangements.

3.5.2   The Panel comprises:

- Interim Executive Director of Resources & Regulation and S151 Officer;
- Assistant Director of Legal & Democratic Services (Monitoring Officer)
- Head of Financial Management

3.5.3   The Panel last met on 7 February, 2017 and no concerns were raised which required specific reference in this update. The next meeting is scheduled for 13 April, 2017.

3.6   Sickness Update

3.6.1   The Audit Committee has shown considerable interest in sickness absence, requesting absence data and action plan updates from Executive Directors.

3.6.2   The following table contain the sickness absence figures per full time equivalent for the Council.

Department	2014/15 Full Year	2015/16 Full Year	2016/17 Q1	2016/17 Q2	2016/17 Q3	% change Q2 to Q3
Communities & Wellbeing	12.1	13.5	11.6	11.8	11.0	**-6.7**
Resources & Regulation	7.0	8.0	6.9	7.3	6.6	**-9.6**
Children, Young People & Culture	7.99	8.4	8.9	9.4	8.8	**-6.4**
Total FTE days lost	**10.2**	**9.3**	**9.2**	**9.6**	**8.9**	**-7.3**

Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q3 period for 2016/17 relates to the full year period of 1/01/16 to 31/12/16.

3.6.3   The sickness levels remained relatively constant per days lost per FTE for the last three years although Q3 has shown a slight reduction.

3.6.4   Going forward, sickness absence figures will continue to be reported to the Audit Committee in future quarterly updates.

4.0   Conclusion

4.1   This report provides an assurance, and presents evidence, that the Council reviews its internal control / governance mechanisms on a continuous basis.

4.2   There have been no significant internal control issues during the period covered by this report.

4.3   The control environment will continue to be monitored throughout the year, and Audit Committee will continue to receive updates on a quarterly basis.

Andrew Baldwin
Head of Financial Management

Background documents:

Risk Registers

Internal Audit Reports

Minutes of Governance Panel

For further information on the details of this report, please contact:

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