

# REPORT FOR DECISION

**MEETING:** AUDIT COMMITTEE

**DATE:** 26 FEBRUARY, 2019

**SUBJECT:** QUARTERLY GOVERNANCE STATEMENT - APRIL to DECEMBER 2018

**REPORT FROM:** HEAD OF FINANCIAL MANAGEMENT

**CONTACT OFFICER:** ANDREW BALDWIN

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**TYPE OF DECISION:** NON-KEY DECISION

**FREEDOM OF INFORMATION/STATUS:** This paper is within the public domain.

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**SUMMARY:** This report presents Members with a quarterly update on the Annual Governance Statement. The 2017/18 Annual Governance Statement was approved by Audit Committee on 17 July 2018.

**OPTIONS & RECOMMENDED OPTION** The Committee is asked to note the contents of the report including the latest risk register.

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## 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

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**TRACKING/PROCESS****DIRECTOR: STEVE KENYON**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 26/02/19	

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**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 17 July 2018.
- 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 Risk Management**

- 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. The risk scoring matrix has been reverted back to the original 4x4 matrix to make it easier for assessment and scoring. 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 comprises of a representative from the two directorates of Communities & Wellbeing and Children, Young People and Culture along with the Insurance Manager, Health & Safety Advisor, Risk Manager and the Interim Executive Director for Resources & Regulation. The last meeting of the Operational Risk Management Group was held on the 20<sup>th</sup> November 2018 and is next due to meet on the 12<sup>th</sup> March 19.
- 3.1.4 A Member-level Corporate Risk Management Group sits quarterly to review the Corporate Risks and takes account of issues arising from the Operational Risk Management Group. The Corporate Risk Management Group met on the 28<sup>th</sup> November 2018 to review the Corporate Risk Register. The risk register will be updated to reflect the latest high level risks facing the organisation and will then be circulated to members following that meeting. The next meeting of the Corporate Risk Management Group meeting is scheduled to take place on the 26<sup>th</sup> March 2019.
- 3.1.5 The Q3 risk register is attached.

### **3.2 Business Continuity**

- 3.2.1 A full review of the Council’s Business Continuity Planning Database is being undertaken to take account of the new departmental structures for Operations, Business, Growth & Infrastructure and Strategy & Transformation.

### **3.3 Budget Monitoring**

- 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 2018) 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 Overview & Scrutiny Committee on 13 February and to Cabinet on 20 February 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 2018, the section has examined the following fundamental financial systems;

- Main Accounting system;
- Council tax;
- Creditors;
- Business Rates;
- Housing Rents;
- 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 half year have produced a total of 141 recommendations.

### **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 10 January and the next meetings are scheduled for 11 April and 11 July.

### **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	2016/17 Full Year	2017/18 Full Year	2018/19 Q1	2018/19 Q2	2018/19 Q3	% change 2018/19 Q2 to Q3
Communities & Wellbeing	12.5	11.2	11.6	12.4	12.9	+4.0
Resources & Regulation	6.8	9.6	9.7	9.3	7.9	-15.1
Children, Young People & Culture	9.9	9.6	9.7	9.6	9.5	-1.0
<b>Total FTE days lost</b>	<b>9.9</b>	<b>9.9</b>	<b>10.0</b>	<b>10.4</b>	<b>9.9</b>	<b>-4.8</b>

*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 2018/19 relates to the full year period of 01/01/18 to 31/12/18.*

- 3.6.3 The sickness levels have continued to remain relatively constant per days lost per FTE over the last three years.
- 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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