

AUDIT COMMITTEE

Annual Governance Review 2015/16 – Update 29 June 2016

Report of the Internal Audit and Assurance Manager

PURPOSE OF REPORT

To update the Committee on arrangements for the annual governance review and the production of a Governance Statement for the year 2015/16 and to seek Members' views on the outcome to date.

This report is public

RECOMMENDATIONS

(1) That the report is noted

1.0 Introduction

1.1 The terms of reference of the Audit Committee include: *To monitor the effective development and operation of risk management and corporate governance by considering the effectiveness of the Council's adopted local Code of Governance. Also to oversee the production of the authority's annual Governance Statement in accordance with the Accounts and Audit Regulations 2015 and recommend its adoption.* (The Constitution, part 3 section 8).

2.0 Report

Review of Compliance with the Code of Governance

2.2 As in previous years, a review is being undertaken of the Council's position and performance against the Code of Governance approved in September 2012. The Code of Corporate Governance consists of a set of seventy-eight elements within the following six core principles, which underpin a council's system of governance:

1. **Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.**
2. **Members and officers working together to achieve a common purpose with clearly defined functions and roles.**
3. **Promoting the values of the authority and demonstrating the values of good governance through behaviour.**
4. **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**
5. **Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively.**

6. Engaging with local people and other stakeholders to ensure robust local public accountability.

Assurance

- 2.3 A document compiled to detail the identified “sources” of assurance for each element of the Code has again been updated. Sources of assurance range from a record of official policy and strategy documents such as the Constitution to the results of reviews such as Internal Audit and External Audit reports, to procedures such as one-to-one management meetings.
- 2.4 Individual “assurance statements” have been sought from managers at the level immediately below Chief Officer level, in relation to internal control and governance arrangements within their areas and this assurance has been built in to the overall evaluation. These statements have also been reviewed individually by the relevant Chief Officers.
- 2.5 The Internal Audit and Assurance Manager’s Annual Report and Assurance Statement for 2015/16, which is included elsewhere on this agenda, concluded that the Authority had a significant ongoing governance issue in relation to its information management arrangements and that this should be disclosed in the Governance Statement. No other significant issues for disclosure were identified.
- 2.6 In his Annual Internal Audit Opinion for 2015/16, however, the Internal Audit and Assurance Manager did conclude, that reductions in the amount of internal audit assurance work undertaken meant that only ‘Limited’ assurance could be provided for this year.
- 2.7 The Internal Audit and Assurance Manager also reports elsewhere on this agenda on the results of an internal self-assessment of Internal Audit against professional standards. The conclusion and recommendation from the self-assessment is that the Audit Committee can take reasonable assurance that Internal Audit is operating effectively and can place reliance on its reports and work in considering the overall effectiveness of governance arrangements. No significant deviations from the standards, or other issues regarding effectiveness, have been identified which would warrant disclosure in the Governance Statement.

Governance Review – Emerging Messages

- 2.8 Inevitably the governance review focuses on areas for improvement and development and from the review processes mentioned above, concerns and/or inconsistencies have been raised in the following broad areas:
- General capacity, brought about by budget pressures and associated staffing changes.
 - Provision of advice on legal and governance matters, in view of temporary cover arrangements regarding the Monitoring Officer role.
 - Production of service business plans and arrangements for measuring the quality of service for users.
 - Delivery of staff development arrangements and limitations of training budgets.
 - Effectiveness of both internal and external communications.
 - Application of risk management principles.

Concluding the Process

- 2.9 The next step in the process is for Management Team to consider, at its meeting on 28th June 2016, a report into the assurance, conclusions and observations arising so far from the review, along with an initial draft of the annual governance statement for 2015/16.
- 2.10 It is intended that Management Team will, in considering the report, develop and finalise the draft Governance Statement. This draft statement will then be presented to the Audit Committee at its meeting on 7th September 2016.

3.0 Details of Consultation

- 3.1 As part of the assurance gathering exercise, senior managers have provided an assurance statement for their areas of responsibility, with any matters raised being considered by Management Team and built in to the evaluation exercise.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 The report is for noting; no options are presented.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The report has no direct impact on the above issues.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

There are no legal implications arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS	Contact Officer: Derek Whiteway Telephone: 01524 582028 E-mail: dwhiteway@lancaster.gov.uk Ref: aud/cttee/audit/2016/160629/AGS
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