



INTERNAL AUDIT REPORT



ASSURANCE FRAMEWORK 2015/16

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Assurance Framework 2015/16

Executive Summary

1. Introduction and overall opinion

Under the Accounts and Audit (England) Regulations 2011, the Council is required to produce an Annual Governance Statement (AGS) to accompany the Statement of Accounts which is approved and signed off by the Governance & Audit Committee and Corporate Directors. Preparation of the AGS is based on an annual review of the effectiveness of the Council’s governance arrangements and should be informed by various sources of assurance. The completeness and adequacy of these assurances are critical to the preparation of a fair and accurate AGS and identification of areas for improvement.

Based upon the review conducted by Internal Audit, there is a clear corporate commitment to good governance within the Council. A number of policies, procedures and protocols are in place to provide a sound framework of controls. It was noted that some of these are in need of review, update and formal adoption. Arrangements could also be strengthened by developing a central repository of all governance documentation to improve accessibility and transparency.

A range of assurances are available throughout the year to support the annual review of governance arrangements and preparation of the Annual Governance Statement. Direct assurances consist primarily of the provision of signed assurance statements from senior managers and portfolio holders. Linking these statements to the underlying evidence and supplementing them with an annual review of compliance with the six principles of good governance set out in the CIPFA/SOLACE framework would further reinforce the evidence base.

It is Internal Audit’s opinion that the framework of controls currently in place provides **Sufficient Assurance** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2 below. The audit was carried out in line with the scope set out in the approved audit planning record (APR). The assurance opinion is based upon testing of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in Table 1 below.

Table 1 – Assurance opinion

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	N/A				
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1 - The Council’s corporate governance arrangements do not comply with ‘proper practices’ as set out in the CIPFA/SOLACE framework.	Sufficient Assurance	Sufficient Assurance	0	1	2
Risk 2 - The annual review of governance arrangements and preparation of the Annual Governance Statement is not supported by a robust assurance framework.	Sufficient Assurance	Sufficient Assurance	0	1	2
Total Number of Recommendations			0	2	4



2. Summary of findings

Risk 1: The Council's corporate governance arrangements do not comply with 'proper practices' as set out in the CIPFA/SOLACE framework.

Management asserted that the Council has a clear commitment to good governance as evidenced through a range of policies, protocols and procedures, such as:

- Member / officer protocol;
- codes of conduct;
- anti-fraud and corruption policy;
- whistleblowing policy;
- staff competency framework;
- business and budget planning processes;
- performance management framework;
- risk and opportunity management framework; and
- various ethical governance arrangements (e.g. complaints procedures, register of interests, gifts & hospitality registers etc).

A draft Local Code of Governance was considered by the Standards Committee in October 2011. Minutes of the meeting indicate that the code was agreed, subject to minor amendments, and was forwarded to Management Board, Full Council and the Constitutional Review Committee for adoption and incorporation into the Constitution. However, the Head of Legal asserted that the code was not subsequently approved by management board or Council and is not therefore included in the current constitution (see **recommendation 1**).

There is no central repository or web page for governance policies or procedures and searching for relevant items on the Council's web site and intranet did not locate all the documents referred to above (see **recommendation 2**).

Governance issues fall within the remit of various Council committees, including Executive, Scrutiny, Ethical Governance and the Governance and Audit Committee. Officers' governance responsibilities are shared between members of Corporate Management Team (CMT), with certain statutory responsibilities vested in the Head of Paid Service, Monitoring Officer and Section 151 Officer.

Governance aspects are included in various training sessions for members and officers, where relevant. The member induction training, for example, included sessions on the Code of Conduct, Data Protection and Ethical Governance arrangements. Governance issues were also covered in recent training for officers on the new procurement system and fraud awareness training is due to be delivered by Internal Audit later in 2016. Relevant issues such as updates to policies and procedures are also periodically included in the staff newsletter 'Core Brief'.

Based upon these findings, the rating for the design of controls in respect of this risk is **sufficient assurance**.

As noted above, whilst all governance policies and procedures were not easily accessible, testing confirmed that all policies cited by officers and referred to in the Annual Governance Statement existed, although some were out-of-date. For example:

- the Information Governance Framework was marked as due for review in January 2015;



- the Communication Strategy states that it is subject to annual review but was dated 2013/14;
- the Consultation Strategy was due for review in February 2014;
- a revised Whistleblowing Policy was considered by the Ethical Governance Committee on 9th December 2014 but did not appear to have been finalised or incorporated into the Constitution at the time of audit; and
- Core brief indicated that the Anti-fraud and Corruption Policy and Response Plan were updated in January 2015 but the version on the intranet appears to be the previous 2013 version.

It was also noted that version control is not consistent or standardised across all policies (see **recommendation 3**).

Based upon these findings, the rating for compliance with controls in respect of this risk is **sufficient assurance**.

Risk 2: The annual review of governance arrangements and preparation of the Annual Governance Statement is not supported by a robust assurance framework.

The 2011 draft Local Code of Governance (the draft code) states that a corporate group of senior officers meet formally on a six monthly cycle to assess and monitor the Council's governance arrangements. As noted above, no governance group has yet been established and in practice responsibility for reviewing the framework sits with the HoF&CS, who is sufficiently senior and experienced to undertake the role effectively.

The annual review process is also set out in the draft code which states that an assessment is carried out against the CIPFA / SOLACE checklist. Such an assessment was not carried out in 2014/15 (see **recommendation 1**) but reliance was placed on a system of assurance statements that were sent to all service managers and members of the Executive. The format and content of the statements were based on examples provided by internal and external audit. They provide formal confirmation that officers and members have fulfilled their governance responsibilities and that there were no incidents of non-compliance with the assurance and control framework. The HoF&CS asserted that all statements came back 'clean' in 2014/15.

There is currently no clear or explicit link between managers' assurance statements and the underlying controls in each service area. The HoF&CS asserted that he regularly reminds managers of the need to seek positive assurance in respect of key controls and not to rely on the absence of reports of control failures as evidence that controls are operating effectively. However, the specific evidence relied upon by service managers to provide their annual assurance statements is not currently supplied with the assurance statement (see **recommendation 5**).

As noted above, the Risk and Opportunity Management Framework is a key component of the Council's overall system of assurance. The HoF&CS asserted that regular review and reporting of risks provides the necessary assurance and that each risk is assessed based on a number of factors, including the specific mitigations (controls) associated with that risk. In addition, annual assurance statements signed by service managers include the following statement "I have met my responsibility to identify and manage areas of high risk".

Assurances in respect of services provided by partnerships, such as Revenues, Benefits and Legal services, derive from various mechanisms such as Council representation on the relevant board, regular management meetings and third party internal audit reviews. However, it is currently not clear how these assurances feed directly into the Council's own governance arrangements or annual review process. Furthermore, partnership assurances are not currently reflected in the Annual Governance Statement (see **recommendation 6**).

Based upon these findings, the rating for the design of controls in respect of this risk is **sufficient assurance**.



Testing of annual assurance statements confirmed that the format and content was reasonable and that no lapses or failures of control were reported. However, statements could not be located in respect of any members of CMT or two members of the Executive. Officers asserted that all statements were signed and returned albeit they could not be found at the time of the audit and that arrangements were in place to ensure that all statements are retained and accessible in future. For those statements that were provided it was noted that:

- two members of the Executive signed statements using the wrong template (the service managers' template); and
- one service manager statement had a printed name but no signature.

A copy of the latest corporate risk register was obtained and tested to determine whether the mitigations cited for each risk appeared reasonable. All risks had relevant mitigations identified, although in some cases the mitigations section simply provided a more detailed explanation of the risk and the actual controls were not always clear or specific (see **recommendation 4**).

Review of the 2014/15 Annual Governance Statement confirmed that evidence was available to support all of the assurances cited, with the exception of the review of planning appeals.

Based upon these findings, the rating for compliance with controls in respect of this risk is **sufficient assurance**.

3. Action plan

The Action Plan at Appendix 1 provides a number of recommendations to address the findings identified by the audit. If accepted and implemented, these should positively improve the control environment and aid the Council in effectively managing its risks.

4. Limitations to the scope of the audit

This is an assurance piece of work and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record. The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

Appendix 1

Action Plan

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
<i>Risk 1: The Council's corporate governance arrangements do not comply with 'proper practices' as set out in the CIPFA/SOLACE framework.</i>						
R1	A draft Local Code of Governance was considered by the Standards Committee in October 2011 but was not subsequently approved or included in the constitution.	Review, update and approve the Local Code of Governance based on the CIPFA/SOLACE framework. Compliance with the code and key governance principles should be reviewed and updated annually as part of the annual review of the assurance framework.	All changes to the constitution are being considered by the constitutional review committee for adoption by Council. This will be included in the final constitution.	Medium	Head of Legal and Democratic Services	30 th December 2016
R2	There is no central repository or web page for governance policies or procedures and searching for relevant documents on the Council's web site and intranet did not find many of them.	Set up an intranet page for hosting all of the Council's governance related policies and procedures so that they are easily accessible. Raise awareness of the existence of the Local Code of Governance and other related policies through the staff 'Core Brief'.	Agreed	Low	Corporate Services Manager	30 th September 2016
R3	Some policies and procedures are out-of-date and version control is not consistent or standardised.	Undertake a policy review to ensure that all key policies and procedures making up the governance framework have been reviewed, updated and incorporated into the constitution (where relevant). All policies should include standard version control information setting out the version number, date of approval, approving body and proposed review date.	This area has already been identified through the data quality and programme management audits. Version control being implemented as policies is reviewed. Any policies required as part of the update of the constitution will be refreshed on adoption of the updated constitution by Council	Low	Head of Finance & Commercial Services Head of Legal and Democratic Services	31 March 2017
<i>Risk 2: The annual review of governance arrangements and preparation of the Annual Governance Statement is not supported by a robust assurance framework.</i>						
R4	Review of the Council's risk register	Review and update the format and content of	The Executive approved the risk	Low	Head of	31 March

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
	found some cases where the mitigations simply provided a more detailed explanation of the risk or were mitigations that were non-specific. For example, the mitigation for the risk of not having a sound local plan is effectively to develop a sound local plan.	the risk and opportunities register to ensure that the mitigations column includes a full and detailed explanation of the specific controls and actions to mitigate the risks rather than a more detailed explanation of the nature of the risk. Each risk and the associated controls and action should also be allocated to a named responsible officer.	and opportunity framework on 8 th February. Support to risk holders is provided by the Programme and Performance Team. Spot checks of mitigations will be undertaken on a roiling basis.		Finance & Commercial Services	2017
R5	There is no explicit or direct link between managers' assurance statements and the underlying controls and no evidence of how positive rather than passive assurance is obtained.	Develop the assurance framework to include arrangements for service managers to evidence how they obtain positive assurances in respect of the effective operation of key controls within their area of responsibility. Annual assurance statements should include a specific tailored statement setting out how these assurances have been obtained, tested and evidenced throughout the year.	The Council's system of corporate governance underpins all the managers' assurance statement, for example data quality and risk management. The current system seeks positive assurance but will be expanded to include the assessed controls underpinning the statement	Medium	Head of Finance & Commercial Services	30 th June 2016
R6	There is scope for the Council to be clearer about how it obtains assurances in respect of key partnerships.	The Annual Governance Statement should include specific details of how the Council has obtained assurances in respect of key partnerships (e.g. legal services and revenues & benefits) and how these assurances link into the Council's own governance arrangements and annual review process.	Assurance are sought as part of the Internal Audit Plan and partnership governance arrangements. Where applicable the Corporate Director will seek appropriate assurance from third parties as part of the 2015/16 annual governance statement	Low	Head of Finance & Commercial Services	30 th June 2016

Appendix 2

Glossary

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives.
LOW	Management action will enhance controls or improve operational efficiency.