**PROVIDING ASSURANCE
FOR THE ANNUAL GOVERNANCE STATEMENT**

(Report by the Internal Audit & Risk Manager)

1.   SUMMARY

1.1   This report proposes that Panel endorse the preparation of an assurance map for the year commencing April 2013. The map would provide the framework upon which Panel obtained confidence that internal controls are in place, operating effectively and objectives are being achieved.

1.2   The report also proposes that, in parallel, the scope and content of the Annual Governance Statement (AGS) is reviewed to make it more strategic, readable and meaningful to other Members and the public.

2.   INTRODUCTION

2.1   The process of preparing the last AGS in September and reviewing the documents supporting it illustrated that many of the areas of assurance required by the Panel are dealt with at this single point of the year and, as a consequence, some may receive too little attention, whereas other items may currently be taking up too much of the Panel's time.

2.2   The whole AGS process is quite cumbersome, in terms of the supporting documents and evidence, together with the length and detail of the AGS itself.

2.3   A clearer focus, based upon those key issues that Panel require assurance on is proposed. The key issues will be recorded along with how, and from what source, assurance will be received on them. Such an approach is based on the concept of an assurance map.

        The Institute of Internal Auditors define this as:

        A structure within which "boards" identify the principal risks to the organisation meeting its principal objectives and map out both the key controls in place to manage them and also how they have gained sufficient assurance about their effectiveness.

3. CURRENT POSITION

3.1 Many of the key issues and areas of significant risk or concern have already been identified. The Panel in March 2008 adopted an assurance framework to support the production of the AGS. The framework was based around the significant risks affecting the achievement of the Council's strategic objectives and the six principles supporting the Code of Corporate Governance.

3.2 Building upon this, in March 2009, Panel also identified a number of further issues they required assurance upon:

Delivery of the Council's corporate objectives	Robustness of the performance management system
The effectiveness of the Constitution	Adequacy of the internal audit service
The effectiveness of the Code of Corporate Governance	The effectiveness of the risk management strategy
Ability to identify, assess and respond to legislation, meeting statutory obligations	Robust systems of internal control and the effectiveness of key controls
Partnerships are efficient and effectively delivering service objectives	Actions plan to address significant weaknesses are prepared, acted & reported on
Effectiveness of financial management arrangements	

4. OBTAINING ASSURANCE FOR THE AGS

4.1 The assurance map will be developed to allow the Panel to plan for, and receive assurance on the key areas in a planned way over the course of the year, rather than immediately prior to the approval of the AGS.

4.2 The map will detail the
- assurance required against the significant risks identified.
- linkage with the risk register.
- assurance provider (e.g. internal audit, external audit, other professionals [health & safety/data protection officer], management, other external providers [Revenue & Customs]).
- gaps in assurance or areas of duplication.

4.3 The Panel will then receive 'bite size' reports/updates throughout the year in accordance with the map. This has a number of benefits.

- It will increase awareness of the wider assurance framework and how the overall assurance 'picture' is constructed for the AGS.

- It will allow the Panel to consider the value of the assurance, its credibility or relevance.
- Where there are gaps in assurance, it will allow the Panel to request further explanation so that they can understand how that shortfall affects the overall management of a risk/assurance level.
- It will streamline the work involved in preparing the AGS.
- It will allow internal audit resources to be focused on those key areas that most require assurance coverage.

4.4 To work effectively it is important the assurance mapping exercise is proportional to the risks being faced, that the assurance provided is dynamic and the information presented to the Panel is clear and focused. An example assurance map format is attached at Annex A. Over a period of time it is expected that the map will strengthen Panel's focus on planning, receiving, evaluating and reporting on the effectiveness of the Council's governance, risk and internal control arrangements.

4.5 It is also proposed that the Panel will now receive a draft AGS at its June meeting for approval. This will bring our practices into line with latest best practice thinking. The draft AGS will then be able to be provided to the external auditor along with the draft accounts.

4.6 The draft AGS will however still receive a final review at the September Panel meeting, before being formally approved.

4.7 In consequence of the changes to the AGS process, it will require the internal audit planning year to return to the financial year (it currently runs from August to July), allowing the Internal Audit annual report and opinion to be considered in June, prior to Panel considering the draft AGS.

5. CONTENT OF THE AGS

5.1 The AGS is a long and not very readable document. A layman, without any prior knowledge of the Council or its governance structure and process, would probably find it difficult to interpret and of limited value.

5.2 It is proposed that the content of the AGS be reviewed and changed as necessary. Whilst the current best practice guidance includes an AGS template, the recent consultation document on *Delivering Good Governance in Local Government* stressed that it was an example only and that each Council should prepare an AGS that is high level, strategic and written in an open and readable style. It should be focused on outcomes and value for money.

6. PANEL INVOLVEMENT IN THESE DEVELOPMENTS

6.1 This approach is relatively new in the public sector and it is important that it has the full support of the Panel. It is intended to hold a workshop at which the assurance requirements of the Panel will be identified. Panel Members will also be circulated with information at relevant stages of the development of the assurance map.

7. RECOMMENDATIONS

7.1 It is recommended that the Panel:

- Support the introduction of an assurance mapping process.

- Support the review of the AGS to make it clearer and more readable and to receive a draft each year at the June meeting.

- Note the internal audit planning year will revert to the financial year.

Background Information
Delivering Good Governance in Local Government

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Assurance Map. Example framework

Assurance Source / Evidence	Assurance Provided. *To include level of confidence required & that can be taken; Frequency/timeliness and source of assurance.*	
Assurance area: **Delivery of the Council's Themes and Aims**		
Service delivery plans	Is est a muneris vindico intentio boo ut ero comprehendo loquor quam bonus vel nocens res es	Management
Performance Indicators	ipsum vadum exsisto ostendo per utor of graphs ut es videlicet ut lego.	Internal Audit
O&S reviews	Id suus per bonus scribo in tunc animadverto. Quis a distinctus is planto. may fere teneo quis I'm effectus.	O & Scrutiny Panel (Economic Well-Being) 4 October 2012.
Budgetary control	Is est a muneris vindico intentio boo ut ero comprehendo loquor quam bonus vel nocens res es.	Management
Customer feedback	Id suus per bonus scribo in tunc animadverto. Quis a distinctus is planto. may fere teneo quis I'm effectus.	No assurance. *Assurance Gap*
….continued as required		
Significant Risks (separate risk register extract will be attached)		
Key Projects (if appropriate for the assurance area)		