

Audit & Governance Committee – 22nd June 2015

Annual Governance Statement 2014/15



Report of the Corporate Head of Financial Management

Ward(s) affected: All

1. Purpose of Report

- 1.1 To present the Draft Annual Governance Statement for 2014/15 for consideration and approval by Committee, prior to sign off by the Chair of the Audit Committee and the Chief Executive.

2. Recommendations

- 2.1 That members consider and approve the Draft Annual Governance Statement which will form part of the Statement of Accounts 2014/15.

3. Background Information

- 3.1 The Council is required to publish an Annual Governance Statement (AGS) which must accompany its Annual Statement of Accounts in compliance with the Accounts and Audit Regulations 2011 – Regulation 4(3).
- 3.2 Good governance is important to all involved in local government. The statement summarises the governance arrangements in place and sets out how they will be further improved in the year ahead.
- 3.3 The preparation and publication of an AGS in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to “conduct a review at least once a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.
- 3.4 The AGS is attached at Appendix 1 for member approval for inclusion with the Annual Statement of Accounts.

4. The Report

- 4.1 The CIPFA/SOLACE Framework defines proper practices for the form and

content of a governance statement that meets the requirement to prepare and publish a statement of internal control. There is no requirement to prepare and publish a separate statement on internal control.

- 4.2 The CIPFA “Statement on the Role of the Chief Financial Officer in Local Government”, issued in 2010, expects that the AGS will include a specific statement on whether the Council’s financial management arrangements conform to the governance requirements of the statement. If they do not then an explanation must be given on why and how the Council’s arrangements deliver the same impact.
- 4.3 At Craven DC there is full compliance as the Strategic Manager – Financial Services (s151 Officer) is a member of the Corporate Leadership Team.
- 4.4 Whilst all meetings of the Authority and its Committees are an integral part of our corporate governance framework, the Audit and Governance Committee has a specific role which is key to its operation. The Committee should determine whether it is satisfied that the review process has been rigorous and thorough.
- 4.5 The AGS provides public assurance the Council has a sound system of internal control, designed to help manage and control risks that will impede the achievement of its objectives. The AGS should not be seen as a purely financial requirement, but as an important public expression of what has been done and how priorities have been set out and monitored. The requirement for it to be signed by the Chair of Audit and Governance Committee and the Chief Executive reflects the importance with which it is viewed.
- 4.6 The External Auditor will be considering the AGS as part of the review of the Statement of Accounts for 2014/15. The Auditor is required to issue an opinion on the accounts and “sign them off”.
- 4.7 In common with most local authorities, the Council has a well established system of internal control in place. The AGS process requires the Council to formally demonstrate what these controls are and how they safeguard against the most significant risks and to gain assurance based on evidence that these controls are operating effectively and if they are not then identify areas for improvement.
- 4.8 The AGS sets out the significant governance issues outstanding at the end of 2014/15 and the proposals for addressing them during 2015/16. Committee Members should ensure that they are satisfied with the corrective actions being proposed.
- 4.9 The production of the AGS is not an isolated act, but the final stage in a continuing review of internal control processes and procedures.
- 4.10 From April 2013 the work of internal audit in local authorities is now governed by the Public Sector Internal Audit Standards (PSIAS). The PSIAS state that at least once every five years, local authorities are required to commission a review by an outside organisation to see how far their internal

audit service meets the Standards. Mazars LLP undertook this review during March 2014. The overall conclusion was that Internal Audit is “substantially compliant“, with the requirements of the PSIAS. An improvement action plan was developed and all actions except one – an assurance mapping exercise – have been completed. This has been included at Appendix A.

4.11 During 2014/15 the majority of issues highlighted in the 2013/14 AGS were addressed and a summary is provided at Appendix 2.

4.12 There is one 2014/15 Internal Audit reports currently outstanding – Resource Resilience. If any recommendations contained within this report are identified as priority 1, and they have not been resolved prior to the approval of the 2014/15 Statement of Accounts in September, they will be included within the 2014/15 AGS.

5. Implications

5.1 Financial and Value for Money Implications

None

5.2 Legal implications

It is a statutory requirement for the Council to produce its Annual Governance Statement for inclusion with the Statement of Accounts.

5.3 Contribution to Council Priorities

Financial resilience through appropriate procedures and practices

5.4 Risk Management

Implementation of measures to improve the Council’s governance arrangements help to mitigate against Corporate Governance risks.

5.5 Equality Impact Assessment

The Council’s Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

6. Consultations with Others

CLT, Insurance Risk and Procurement Manager, Internal Audit Manager, VFM & Improvement Manager.

7. Access to Information : Background Documents

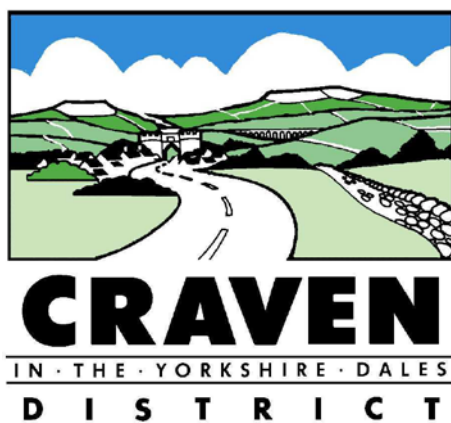
CIPFA – Delivering Good Governance in Local Government.
CIPFA Finance Advisory Network – AGS a Rough Guide for Practitioners

8. Author of the Report

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9. Appendices

Appendix 1 – Annual Governance Statement
Appendix 2 – Completed Actions from 2013/14 Statement



ANNUAL GOVERNANCE STATEMENT 2014/15

Annual Governance Statement (AGS)

1. Scope of Responsibility

- 1.1 Craven District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code can be obtained from the Council's website www.cravencd.gov.uk or by writing to: - Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ.
- 1.4 This Statement explains how Craven District Council has complied with the Code and meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control. The Statement also sets out significant governance issues that will be addressed during 2015/16.

2. The Purpose of the Governance Framework

- 2.1 The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.4 The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the Good Governance framework and adapted for local authorities. They are defined as follows:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of members and officers to be effective
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 2.5 The Governance Framework has been in place at the Council for the year ended 31st March 2015, and up to the date of the approval of the Statement of Accounts for 2014/15.

3. The Council's Governance Framework

Set out below are the key elements of the Council's systems and processes that comprise our governance arrangements in accordance with the six principles:

- 3.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- 3.1.1 The Council produces and publishes a Council Plan which sets out the Council's Vision, and states clear key priorities for improved outcomes for citizens. The Council Plan is published as a four year rolling document. A review of the Plan, including the Council's vision, mission and priorities is carried out on an annual basis through the strategic planning process. This process is informed by community and member consultation, reflecting political and community objectives, and acts as the basis for setting the Council's priorities. Service Plans are also produced on an annual basis setting out the key goals, actions and targets for the year, for each service area. The Plans incorporate improvement actions and performance indicators, including those relating to the delivery of the Council Plan.
- 3.1.2 The Council has a Long Term Financial Strategy and Medium Term Financial Plan which includes budgets that are soundly based and are designed to deliver the Council's priorities. The financial management system includes:
- A Long Term Financial Strategy highlighting key financial risks and pressures on a ten year rolling basis
 - An annual budget cycle which gives a three year Medium Term Financial Plan and incorporates Council approval for detailed revenue and capital budgets as well as treasury management strategies
 - Annual Accounts supporting stewardship responsibilities, which are subject to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice, and International Financial Reporting Standards
 - Budget Monitoring Reports and Quarterly Value for Money (VFM) Clinics which combine budget and performance monitoring.
- 3.1.3 A Performance Management Framework sets out the formal arrangements for effective performance management, and is used to monitor and report progress against the Council Plan, Annual Service Plans, Budgets and Performance Indicators.
- 3.1.4 The Council has a Value for Money Framework detailing the Council's principles

and actions for securing Value for Money in the services it delivers. This includes a programme of Service Reviews to secure efficiencies and improve effectiveness.

3.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council has the following arrangements in place:

- 3.2.1 A Constitution, updated on a rolling basis, setting out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are lawful, efficient, open, transparent and accountable to local people. This includes Standing Orders; Financial Regulations, Committee Membership and Terms of Reference, Scheme of Delegation to Officers, and Members and Employee Codes of Conduct / Protocol.
- 3.2.2 Regular meetings between the Leader of the Council, the Chief Executive and Group Leaders.
- 3.2.3 Lead Members and Champions for specific Council Priorities including a Lead Member for Asset Management and Financial Resilience. In addition in 2014/15 the Council also had a member champion for procurement, this role has now been included within Financial Resilience.
- 3.2.4 A designated Head of Paid Services (the Chief Executive), responsible and accountable to the Authority for all aspects of operational management, in accordance with Section 4 of the Local Government and Housing Act 1989.
- 3.2.5 A designated Section 151 Officer (the Strategic Manager – Financial Services), responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control, in accordance with Section 112 of the Local Government Finance Act 1988.
- 3.2.6 A designated Monitoring Officer (the Solicitor to the Council and Monitoring Officer), responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with, in accordance with Section 5 of the Local Government and Housing Act 1989.
- 3.2.7 An Independent Remuneration Panel that reviews Members' remuneration.
- 3.2.8 Recruitment and Selection and Job Evaluation Policies and Procedures, providing a framework for the recruitment and selection of employees which reflects fairness, equity and best practice.
- 3.2.9 A strategic planning process, communication strategy and performance framework to ensure the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
- 3.2.10 Effective mechanisms to monitor service delivery, e.g. the Performance Management Framework, the complaints, comments and compliments procedure, and customer satisfaction surveys.
- 3.2.11 An Asset Management & Capital Working Group, including a Lead Member, to oversee effective asset management, as well as an Officer with specific

responsibility for asset management.

- 3.2.12 Constitutions, Terms of Reference or Service Level Agreements are in place for each partnership, as appropriate. These measures ensure that there is clarity over the legal status of powers, and roles and responsibilities in respect of each partnership in which the Council is involved. The Council has a comprehensive database of partnerships which is maintained on an on-going basis.
- 3.3 Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- 3.3.1 The set of shared core Values embedded in the culture of the organisation, guiding and influencing the way the Council and its staff work, and helping to continually improve performance.
- 3.3.2 The Council has developed and adopted formal Codes and Protocols aimed at ensuring high standards of conduct and personal behaviour, which make up the Council's ethical framework for both Members and employees.
- 3.3.4 The Localism Act 2011 introduced changes to the standards regime. The Council has a duty under the act to promote and maintain standards. The Council's Standards Committee acts as the main means to raise awareness and takes the lead in promoting and maintaining high standards of conduct and the effectiveness of the ethical framework.
- 3.3.5 Arrangements are in place to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and appropriate processes exist to ensure they continue to operate in practice. These include a complaints procedure, standards hearings, codes of conduct, equality impact assessments of services, and policies and equalities training.
- 3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- 3.4.1 The Council's Select (Scrutiny) Committee provides constructive challenge in relation to the Council's services and those of other agencies. The Scrutiny Officer provides support to the Committee and the development of the scrutiny function. A work programme is formulated on an annual basis which complements the aims and objectives of the Council's Priorities in the Council Plan. Issues that arise during the year can also be referred to the Committee. Different methods are used to involve the public and stakeholders in Select (Scrutiny) Reviews, including surveys, press releases and invitations to meetings. An annual report is produced recording recommendations and actions.
- 3.4.2 The Audit and Governance Committee acts as the Council's responsible body charged with governance. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, approves the Final Statement of Accounts, and receives reports from External and Internal Audit. In February 2015 the Council approved the appointment of a non-voting independent member to assist the Committee. The appointment is for 2 years until May 2017.
- 3.4.3 The Council has a Standards Committee that is responsible for promoting and maintaining good ethical governance within the organisation and operates in accordance with legislative requirements.

- 3.4.4 The Call-In Procedure provides a mechanism for Members to directly challenge decisions made by the Policy Committee.
- 3.4.5 The Council has a Whistleblowing Policy and an Anti-Fraud and Corruption Policy.
- 3.4.6 Arrangements and processes are in place to ensure conflicts of interest on behalf of members and employees are avoided.
- 3.4.7 The Council has an established Complaints, Comments and Compliments procedure which was last reviewed in August 2013. There are also procedures in place to deal with complaints about Members.
- 3.4.8 In order to ensure those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical issues and their implications, the Council uses a standards report format. The reports include financial, legal and risk management implications, as well as relevance to Council Priorities. Wherever possible, reports are circulated in good time before meetings in order to meet the Access to Information requirements.
- 3.4.9 The Council has a formal system of Risk Management. Whilst responsibility for the identification and management of risks rests with service managers, corporate arrangements are coordinated by the Risk Management function to ensure that:
- the council's assets are adequately protected;
 - losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures.
- 3.4.10 The system of risk management includes the maintenance of an overall and corporate risk register. The Risk Management Group and Corporate Leadership Team (CLT) are responsible for keeping arrangements for both risk registers under review. The Register is used to monitor risks and identify appropriate action plans to mitigate risks. These risk management arrangements and the Corporate Risk Register containing the Council's key strategic risks are monitored by CLT and the Audit & Governance Committee.
- 3.4.11 The Council has policies in place to ensure compliance with established policies, procedures, laws and regulations.
- 3.5 Developing the capacity and capability of Members to be effective and ensuring that officers, including statutory officers, also have the capability and capacity to deliver effectively
- 3.5.1 The current People Strategy 2012 – 2016 was approved by Policy Committee in November 2011. The action plan is monitored, reviewed and updated quarterly. A revised strategy is being drafted for 2016 – 2020. Approval will be sought from Policy Committee in December 2015.
- 3.5.2 Recruitment and selection procedures are based on recognised good practice that aims to secure applicants for employment from all sections of the Community.
- 3.5.3 Induction training is given to new Members and staff.
- 3.5.4 Protocols are in place which set out the roles and responsibilities of the three statutory officers.
- 3.5.6 Performance of officers is managed under the Council's Performance Development Review (PDR) system. This links individuals' performance to that of their Service and the Council. The PDR provides the opportunity to identify staff training and development needs.

- 3.5.7 Member Training is provided to meet the needs of all Members. Work is ongoing to introduce a Member Development Programme
- 3.5.8 The Council revises its Training and Development Plan annually. A Leadership and Management Development Programme was delivered during 2013/14. Work is currently ongoing to create a follow-on programme to enhance leadership and management development skills across the Council. Supervisory skills training continues to be delivered as identified via the Council's Performance Development Review processes.
- 3.5.9 The Council continues to develop its Apprenticeship Scheme with recruiting six new Apprentices in 2014. Opportunities will continue to be available throughout the 2015/16 for Apprentices to work gain specific skills and experience.
- 3.5.10 In March 2015 it was confirmed that the Council had retained its Investors in People (IiP) accreditation. The IiP award is a very challenging standard to meet and is increasingly seen as a measure of a quality employer. The award represents a significant achievement for the Council and it serves as a testament to the work of all staff and Members in establishing excellent management practices. Most importantly, it acknowledges the efforts of all the staff who have embraced the considerable changes that have been necessary to move the Council forward. The next review is due to take place in 2018.
- 3.5.11 Various partnerships are in place with local schools, colleges and voluntary organisations to provide opportunities for work experience to individuals from all sections of the community.

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

- 3.6.1 The Council ensures its staff and the community are clear to whom and for what the Council is accountable through publication of its Constitution.
- 3.6.2 The Council's Community Engagement Strategy and Toolkit sets out how the Council will consult, engage and involve the public in service improvement and delivery. The Select (Scrutiny) function is one of the Council's primary means of engaging with local communities and stakeholders. An annual report on the activity of the scrutiny function is produced.
- 3.6.3 The Council also operates an Employers Consultative Working Group consisting of Members, the Chief Executive, Corporate Head of Business Support and Trades Union representatives.
- 3.6.4 Clear channels of communication are in place with the Parishes, for example the Parish Liaison Group and the Parish Clerks Forum.
- 3.6.5 All meetings of the Council, its Committees and Sub-Committees are open to the public, except when we have to discuss information in closed session to avoid the disclosure of exempt information.
- 3.6.7 The following includes some of the arrangements the Council has in place to enable us to engage with all sections of the community effectively:
- The annual consultation programme - Have Your Say
 - A Residents Panel
 - Active involvement with the Craven Youth Council
 - Budget Consultation

- Publishing an Annual Statement of Accounts
- Crime and Disorder Committee
- Craven Community Safety Partnership

3.6.8 The Council requested a peer review which was completed in June 2012. One of the guiding questions for this type of challenge is 'Are effective governance and decision-making arrangements in place to respond to key challenges and manage change and transformation'. The review found that the council embraced the challenge positively, transparently and openly.

3.6.9 The Council nominates Members on to outside bodies.

3.6.10 The Council is continuing to develop its approach to Community Led Planning, establishing Local Action Teams. The 'Localism Reserve' established in 2011 and has provided funding for organisations and individuals including third sector, parish and town councils and community and business groups to deliver community projects that fit with Council priorities. The Localism Reserve is providing two years funding for the Council's Core Grant Funding Scheme in 2014/15 and 2015/16.

4. Review of Effectiveness

4.1 Craven District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Council's Leadership Team, who have responsibility for developing and maintaining the governance environment, the Audit Manager's annual report, and also by the comments made by external auditors and other review agencies and inspectorates.

4.2 The purpose of a review is to identify and evaluate the key controls in place to manage the main risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances, and should result in an action plan for addressing significant internal control issues.

4.3 This document is produced as a result of that review in respect of the 2014/15 financial year.

4.4 Key roles in maintaining and reviewing the effectiveness are performed by:

4.4.1 The Council

The Council is the supreme body of Members and has overall responsibility for the Council's policy and budget framework, which includes adoption of, and any fundamental changes to, the Council's Constitution.

4.4.2 Policy Committee

The Policy Committee is responsible for exercising the Council's powers within the budget and policy framework in the non-regulatory areas of its functions. It is also charged with making recommendations to the Council on the budget and framework and any plans, policies or strategies that have a significant corporate impact.

4.4.3 Select (Scrutiny) Committee

This Committee plays an important part in Members' influence on the Council's governance, including holding the decision-makers to account, primarily through the call-in procedure, contributing to policy development and review.

4.4.4 **Audit and Governance Committee**

The Audit and Governance Committee has overall responsibility for ensuring the effective development and operation of corporate governance within the Council and ensuring compliance with best practice. The Committee's remit includes internal and external audit activities, the control environment, risk management and the review and approval of the Council's annual Statement of Accounts.

The Committee is also responsible for maintaining the Council's Constitution and for conducting community governance reviews within the District.

In June 2014 the Council approved the appointment of a non-voting independent member to assist Audit & Governance Committee in their work. An appointment to the role was agreed in February 2015 for a period of two years.

4.4.5 **Standards Committee**

The Standards Committee monitors compliance with codes and protocols, reviews the operation of the Members' Code of Conduct, ensures the provision of effective training and is responsible for the system that ensures complaints relating to alleged breaches of this Council's and the Parish Councils' Codes of Conduct are dealt with. The Committee is a consultee on all elements of the Constitution relating to the ethical framework.

4.4.6 **Statutory Officers (i.e. Head of Paid Service, Chief Financial Officer, and Monitoring Officer)**

The Chief Executive is the Council's head of paid service; the Strategic Manager – Financial Services is the Council's chief financial officer (s151 officer). The Solicitor to the Council is the Monitoring Officer. This officer has a statutory responsibility to ensure the legality of transactions, activities and arrangements that the Council enters into.

All reports presented to Committee for decision making require the legal, financial, and staffing implications to be explicitly detailed. The council's Head of Paid Service, Chief Financial Officer, and Monitoring Officer/Deputy Monitoring Officer consider these reports, along with their implications.

Each officer also provided on-going advice in connection with both the financial and legal standing of council business, including monthly reviews of the council's expenditure against budget.

The Council's Monitoring Officer, oversees the operation of the Constitution in order to ensure that its aims and principles are given full effect. A Corporate Governance Working Group, consisting of the s151 officer, the Monitoring Officer, other relevant officers and Members, oversees the review of the governance framework.

At the end of the year a statement assuring that there were no significant governance issues that were not covered in the Annual Governance Statement which was signed on behalf of management by the Chief Executive.

4.4.7 **Internal Audit**

The work of internal audit in local authorities is now governed by the Public Sector Internal Audit Standards (PSIAS). These took effect from April 2013 and it is a legal requirement for local authorities to comply with them. The PSIAS state that at least once every five years, local authorities are required to commission a review by an outside organisation to see how far their internal audit service meets the Standards. Craven commissioned its external auditors, Mazars LLP, to

review its Internal Audit Service during March 2014.

Whilst the overall conclusion of the review was that Internal Audit is “substantially compliant”, with the requirements of the PSIAS it identified a number of areas where there was scope for improvement in the work of Internal Audit, the overall governance and assurance arrangements within the Council and the role Internal Audit plays within those arrangements. All actions included in the improvement plan have now been implemented – except for developing an assurance map. The intention is to consider this as part of the planning process for the 2016/17 Internal Audit Plan.

The Accounts and Audit (England) Regulations 2011 requires the Council to review annually the effectiveness of Internal Audit. A report was submitted to the Council’s Audit and Governance Committee in June 2015. The report sets out the available evidence and asked the Committee to confirm its view.

The PSIAS require that “chief audit executive”, or equivalent gives an annual opinion on the overall adequacy and effectiveness of the organisation’s arrangements for governance risk management and internal control. The Audit Manager has set out his opinion on these arrangements for Craven covering 2014/15 in his Annual Internal Audit Report.

The 2014/15 financial year was the final year of a three year shared service arrangement between Craven District Council and Harrogate Borough Council. The Councils have agreed to continue with the shared service for a further three years from April 2015. The overall opinion of the Council’s Internal Audit is that:

*“.....**Governance:** This concerns the combination of protocols, procedures and structures in place to inform, direct, manage and monitor activities towards the achievement of the Council’s objectives. The opinion is that generally speaking, adequate and effective arrangements are in place. The Annual Governance Statement sets out those arrangements and I can confirm that these are comprehensive.”*

Internal Audit do express concern regarding IT and information governance. The 2013/14 audits on data protection and PCI Compliance were both awarded partial levels of assurance. The proposed strategic review could not be undertaken due to resilience issues in IT as a result of a high staff turnover. Interim management arrangements are in place and the concerns are being addressed. The Council appointed an Information Governance Officer in April 2015.

*“.....**Risk Management:** The Council has adequate arrangements in place with risk management being embedded within the Authority. This is based on Internal Audit’s experience and observation of proceedings at the Risk Management Group – together with a review of the Risk Management Strategy and risk registers (both corporate and specific (e.g. Tour de France, Skipton Town Hall refurbishment, Health and Safety). There is also robust challenge by Members when risk registers are submitted to the Audit and Governance Committee for consideration and approval.” Audit and Governance Committee has appointed its Independent Member to be its representative on the Risk Management Group. His remit is to report back to the Committee in due course on whether there is scope for improving effectiveness of the Council’s arrangements*

*“.....**Internal Control:** Generally, fundamentally sound systems of internal control are in place. Over 70% of the opinions issued were either “significant” or “good”. In other areas, progress continues to be made.*

4.4.8 **External Audit**

The external audit of the Council is provided by Mazars. Whilst external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance. The Council believes that a proactive relationship with the Mazars strengthens its governance arrangements. Regular meetings have taken place to cover corporate matters and accounting and internal audit matters.

Conclusions and significant issues arising in 2014/15 are included in their report to those charged with governance. There were no significant issues from the 2013/14 Audit.

5. Significant Governance Issues

5.1 It is stressed that no system of control can provide absolute assurance against material mis-statement or loss. This statement is intended to provide reasonable assurance.

5.2 Issues that have been identified as Significant Governance Issues are included in Appendix A. Appendix B sets out the major issues arising from the work of Internal Audit ('Priority 1' issues) are set out in Appendix A. Under the Council's 2014/15 governance arrangements, all internal audit recommendations are reported through the Audit and Governance Committee. Outstanding Priority 1 issues arising during 2014/15, and brought forward from the previous year, have been set out in Appendix B.

5.3 The governance issues set out in Appendices A and B will be addressed during 2015/16. Progress on actions identified to address the recommendations of the Audit Commission's report will be subject to regular monitoring by the Council's Audit and Governance Committee.

APPENDIX A: SIGNIFICANT GOVERNANCE ISSUES 2014/15

Ref	Gaps in 2014/2015	Improvement Action	Responsible Officer	Timescales	Position at 31 March 2015 & Commentary
Asset Management Plan (AMP) 2011-2015 & Corporate Peer Challenge June 2012					
1.	The AMP recommends reviewing the disposals policy during the plan period (2011/15), taking any adopted and approved changes through the appropriate channels. The Corporate Peer Challenge recommends that growth of the capital reserve would be partly met through more co-ordinated management of assets.	As part of the review of the Disposals Policy, to formally adopt and implement a protocol for the disposal of land and property at an undervalue.	Director of Services	31 March 2013 revised to March 2016	On-going: The Council has approved an Asset Management Plan setting out a structured process to ensure the Council's assets are fit for purpose and increase its capital reserves through managed disposals, this includes disposals at undervalue which are treated on individual merits. Monthly meetings are held with lead member for Assets to report on progress against the plan and performance monitored on a quarterly basis as part of the overall budget monitoring process. s123 of the Local Government Act 1972 gives guidance on the disposal of assets at undervalue. Circular 06/03:Local Government Act 1972 general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained, gives further guidance
PSIAS Review March 2014					
2.	Integration of the role of Internal Audit within the Council's 'assurance framework'. An assurance mapping exercise to ensure that operational risks are identified is required.	An assurance mapping exercise should be carried out within the framework of a new assurance framework to ensure that all of the key risks the Council and its service lines are facing are identified.	Internal Audit Manager	31 March 2016	To be included as part of the 2016/17 audit plan

APPENDIX B: SIGNIFICANT GOVERNANCE ISSUES					
Ref	Gaps in 2014/15	Improvement Action	Responsible Officer	Timescales	Position at 31 March 2015 & Commentary
2014/15 (Ongoing Priority 1 issues arising from 2013/14 Internal Audit Work)					
Report C2/7 – Data Handling (PARTIAL ASSURANCE)					
1.	IA 13/14 059: A strategy should be compiled as to the most appropriate way in which to carry out a Council wide review of all data sharing, and arrangements put in place to promptly address this to ensure compliance with the guidelines	An Information Sharing Agreement (ISA) template has been added to the intranet. SLT have been instructed to complete this for all data sharing documents. A log has been compiled in order to centrally record ISAs in place. This will be reviewed annually	ICT Manager	31 December 2012. Date revised to March 2015	An Information Governance Officer was appointed from 7th April 2015 and will be employed part-time for 12 months to implement the Authorities Information Governance Framework. Progress will now be reported in line with the Project Plan.
C3/5 Data Handling Members IA 13/14					
2.	IA 13/14 103: IS security responsibility document to be devised for Members and agreement to abide by conditions obtained	Acceptable usage forms have been issued to all Members for signature. Two remain outstanding at 19th March. These Members will be reminded in the new year. This will now be escalated to the Member Services Manager.	Information Services	December 2013. Date revised to November 2014.	An Information Governance Officer was appointed from 7th April 2015 and will be employed part-time for 12 months to implement the Authorities Information Governance Framework. Progress will now be reported in line with the Project Plan.

APPENDIX B: SIGNIFICANT GOVERNANCE ISSUES					
Ref	Gaps in 2014/15	Improvement Action	Responsible Officer	Timescales	Position at 31 March 2015 & Commentary
2014/15 (Outstanding Priority 1 issues arising from 2014/15 Internal Audit Work)					
3.	IA 14/15 152 The electronic records and the EDRMS phases of the Information Management Project should be progressed.	An approved project plan is now in place. Project plan developed.	ICT Manager	December 2014	An Information Governance Officer was appointed from 7th April 2015 and will be employed part-time for 12 months to implement the Authorities Information Governance Framework. Progress will now be reported in line with the Project Plan.
4.	IA 14/15 153 A Records Management Policy covering all formats, which is clearly owned at an appropriate level, should be produced, approved, appropriately communicated Council wide and training provided. Compliance with the Policy should be monitored.	A Records Management Policy is being written. It will be approved and published by 31st March 2015. The training element will be addressed by the Information Governance Project.	ICT Manager	March 2015	An Information Governance Officer was appointed from 7th April 2015 and will be employed part-time for 12 months to implement the Authorities Information Governance Framework. Progress will now be reported in line with the Project Plan.
5.	IA 14/15 157 A clearly owned information asset inventory should be developed and maintained. Once developed, identified information asset owners should ensure that risks and opportunities are monitored.	Data audits to document the Councils Information Assets form part of the Information Governance Project.	ICT Manager	April – September 2015.	Data audits are expected to take upwards of 6 months. The planning of Data audits is part of the Information Governance Officer role.

Through the actions referred to above, we propose, over the coming year, to address the issues that have been identified, with a view to further enhancing our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed

Signed

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**Councillor C Harbron
Chairman of the Audit & Governance
Committee**

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**Paul Shevlin
Chief Executive**

SIGNIFICANT GOVERNANCE ISSUES					
Ref	Gaps in 2014/2015	Improvement Action	Responsible Officer	Timescales	Progress at 31 March 2015 & additional comments
Report C2/7 – Data Handling (Partial Assurance)					
1.	The ICT Manager should continue to investigate the suitability of available technical products providing control over shared information and consider the feasibility of use at Craven (Previously approved as completed by Audit and Governance Committee – referred back by internal audit and re-included as a result) IA 13/14 045	The ICT Manager explored the technical products offered by various companies that aim to identify, protect and control shared information wherever and by whatever means it may be transferred. Oct 2014 - The Egress product has been trialled in Housing and was considered to work well. The next stage is to establish those users who would require it, which in doing so would identify any data sharing and information asset owners	ICT Manager	31 December 2012. Revised to 30 September 2014.	Completed We have trialled a product called Egress for the safe transit of emails in the Housing Service. Now need to work out who else in the Council would need this solution.
C3/5 Data Handling Members IA 13/14					
2.	IA 13/14 104 The means of enabling Members to use appropriately encrypted equipment should be pursued	Approval given to use Airwatch Mobile Device Management (MDM) with Apple iPads.	Information Services	December 2013	Completed Rollout of tablets to members completed by 31 July 2014 and no Craven DC emails forwarded to Members after that date who decline the tablet device.
3.	IA 13/14 106 Ensure that personal and/or sensitive information is handled	Training and awareness given to Members	Information Services	December 2013	Completed Training and awareness given to

	securely by members				Members and secure tablet devices to be rolled out August 2014. Additional training on use of device given February 2015.
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