

EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 15 JUNE 2016

REPORT BY THE LEADER OF THE COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report details proposals for taking forward the 2015/16 Annual Governance Statement.

RECOMMENDATION FOR AUDIT AND GOVERNANCE COMMITTEE:

That:

(A)	the Audit and Governance Committee considers the Annual Governance Statement as part of the wider consultation process; and
(B)	the proposed process for taking forward the 2015/16 Annual Governance Statement be approved.

1.0 Background

1.1 The Annual Governance Statement is necessary to meet the requirements set out in the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

2.0 Report

2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, used economically, efficiently and effectively.

2.2 The Council should undertake regular, at least annual, reviews of its governance arrangements by means of an Annual Governance Statement, to ensure continuing compliance with best practice. It is important that such reviews are reported both within the Council, to the Audit Committee and externally with the published accounts, to provide assurance that:

- governance arrangements are adequate and operating effectively in practice, or
- where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.

2.3 The process of preparing the governance statement should itself add value to the corporate governance and internal controls framework of the Council.

2.4 A governance statement should include the following information:

- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control)
- an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide
- a brief description of the key elements of the governance framework, including reference to group activities where those activities are significant.
- a brief description of the process that had been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of:
 - ◇ the Council
 - ◇ the Executive
 - ◇ the Audit Committee/ overview and scrutiny function/ Standards Committee
 - ◇ Internal Audit
 - ◇ other explicit review/ assurance mechanisms.
- an outline of the actions taken, or proposed, to deal with significant governance issues.

2.5 It is important to recognise that the governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:

- the authority's policies are implemented in practice.

- high quality services are delivered efficiently and effectively.
- the authority's values and ethical standards are met.
- laws and regulations are complied with.
- required processes are adhered to.
- financial statements and other published performance information are accurate and reliable.
- human, financial, environmental and other resources are managed efficiently and effectively.

2.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) have recently provided five top tips for improving the governance statement:

- **Keep it relevant.** Make sure the governance statement is written specifically for the year being considered. It should reflect the adequacy of the governance in place for the year and provide an opportunity to reflect on current governance challenges.
- **Evaluate and conclude.** The statement should be an evaluation rather than a description. The statement should include a conclusion "the arrangements continue to be regarded as fit for purpose in accordance with the governance framework".
- **Well-founded.** The governance statement should be underpinned by a robust review and assessment of governance.
- **Plan improvement.** There is a need to be clear about what needs to improve and how that is to be achieved.
- **Keep it short.** The Annual Governance Statement should be brief, focused and high-level, written in an open and readable style.

2.7 The Annual Governance Statement Action Plan has been monitored at each meeting of the Audit Committee and the latest position has been reported to this meeting. Two actions remain on-going and will be carried forward to the new Action Plan.

2.8 In order to add real value to the Annual Governance Statement the intention is for officers to consider the current Annual Governance Statement and Action Plan (as approved by Audit Committee on 23 September 2015 and attached unamended as **Essential Reference Paper 'B'**), External and Internal Audit reports, Risk registers, Ombudsman reports, 3 C's reports, National Fraud Initiative reports and the Annual Report.

- Consultation documents have been sent to the Leader and Executive Members, Chairmen of Committees, the Leadership Team, specific senior managers, Internal Audit and External Audit.

2.9 Any items raised that are considered to be significant governance issues will be discussed by the Chief Financial Officer and the Monitoring Officer and a Draft Annual Governance Statement and Action Plan that identifies required enhancements to internal control arrangements will be drawn up. The Action Plan will continue to be monitored through the Audit and Governance Committee.

2.10 The subsequent intended timeline will be for consideration of the draft Annual Governance Statement and Action Plan at:

- Leadership Team- August 2016.
- Corporate Business Scrutiny Committee- 30 August 2016.
- Executive- 6 September 2016.
- Audit and Governance Committee- 21 September 2016.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**. Proposed consultation timelines are outlined above.

Background Papers

Annual Governance Statement 2014/15- Audit Committee 23 September 2015.

Contact Member: Councillor Linda Haysey
Leader of the Council
Ext 1642
linda.haysey@eastherts.gov.uk

Contact Officers: Philip Gregory
Head of Strategic Finance and Property
Ext 2050
philip.gregory@eastherts.gov.uk

Report Author: Chris Gibson
Head of Governance and Risk Management
Ext 2073
chris.gibson@eastherts.gov.uk