

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 27 AUGUST 2013

EXECUTIVE – 3 SEPTEMBER 2013

AUDIT COMMITTEE – 18 SEPTEMBER 2013

REPORT BY THE LEADER OF THE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2012/13

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

- This report presents the 2012/13 Annual Governance Statement at **Essential Reference Paper 'B'** and the 2013/14 Annual Governance Statement Action Plan at **Essential Reference Paper 'C'**.

RECOMMENDATION FOR CORPORATE BUSINESS SCRUTINY: that

(A)	The proposed Annual Governance Statement and Action Plan be scrutinised; and
(B)	The Executive be advised of any recommendations.

RECOMMENDATION FOR THE EXECUTIVE: that:

(A)	The comments of Corporate Business Scrutiny Committee be received; and
(B)	The Audit Committee be advised of any comments from the Executive.

RECOMMENDATION FOR AUDIT COMMITTEE: that

(A)	The comments of the Corporate Business Scrutiny Committee and the Executive be received; and
(B)	The Annual Governance Statement 2012/13 and Action Plan 2013/14 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 2011 that requires authorities to carry out an annual review of the effectiveness of its system of internal control.

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 Grant Thornton, the Council's External Auditors, have previously highlighted that to add real value the Annual Governance Statement should:

- have greater status within the council's management and reporting processes as the key document that records the planned and obtained assurances around the achievement of the vision and strategic objectives.
- be owned from the top and used to plan and monitor internal and external assurance gathering throughout the year.
- be fundamentally reviewed each year so that it highlights what is significant and excludes what is not.
- have only significant weaknesses recorded with SMART action planning.

- provide a robust, transparent and honest assessment of the year's governance framework.
- 2.7 Those areas of the Annual Governance Statement that are considered to be static have been added to the Constitution as Part 8. The statement outlines the Governance Framework through the six core principles published by CIPFA.
- 2.8 In order to add real value to the Annual Governance Statement officers have considered the current Annual Governance Statement Action Plan, External and Internal Audit reports, Risk registers, Ombudsman reports, 3 C's reports, National Fraud Initiative reports and the Annual Report.
- 2.9 The Audit Committee has monitored the 2012/2013 Annual Governance Statement Action Plan throughout the year. At the Audit Committee on 10 July 2013, it was reported that six significant governance issues remained outstanding and showed their status as "Amber".
- 2.9.1 Two of these issues are now considered to be complete:
- CCTV governance issues are now in place following the Executive's approval of the incorporation of a new company to conduct the commercial trading affairs of the Hertfordshire CCTV Partnership.
 - Shared Support Services governance arrangements are now in place as a shared service partnership with Stevenage Borough Council to deliver ICT, Business Improvement, Print and Design services came into operation from 1 August 2013.
- 2.9.2 Some progress has been made during the period on the issue to "Improve arrangements for Members to report on their services on outside bodies" such that this is no longer considered significant enough to remain on the Action Plan and has therefore been removed.
- 2.9.3 The issue previously headed as "Pro-actively seek opportunities to improve performance" has now been revised to cover the one outstanding action from that issue as "Asset Management Plan".
- 2.9.4 The two outstanding issues carried forward from the 2012/13 Action Plan to the 2013/14 Action Plan are:

- Risk of failure to deliver an effective, efficient and economic IT service.
- Hertford Theatre future governance arrangements.

2.9.5 The following new issues have been identified and added to the Action Plan:

- IT Risk Diagnostic.
- Impact of Welfare Reform changes.
- Operating effectively in Shared Services.
- Risk that Section 106 Monies remain unspent.

2.10 Any items that are considered to be significant governance issues that have come to light in the past year have been discussed by the Monitoring Officer, the Chief Finance Officer and the Manager of Corporate Risk and an Annual Governance Statement and 2013/2014 Action Plan that identifies required enhancements to internal control arrangements has been drawn up.

2.11 The static part of the Annual Governance Statement can be found at **Essential Reference Paper 'B'**. This document shows tracked changes made to last year's statement. Changes have been made that update the Council's governance arrangements to ensure the current position is reflected.

2.12 The Annual Governance Statement Action Plan 2013/2014 can be found at **Essential Reference Paper 'C'**. The seven issues identified will continue to be monitored through Audit Committee. As in previous years, the final certificated Action Plan will not detail the current position or RAG status of each of the seven issues.

2.13 These documents will be considered by Corporate Business Scrutiny Committee on 27 August 2013 and the Executive on 3 September 2013. Responsibility for approval of the Annual Governance Statement rests with the Audit Committee, as part of the approval of the Annual Accounts. The results of on-going consultations will be reported verbally to each Committee as part of the process.

3.0 Implications/Consultations

3.1 Consultation documents were sent to the Leader and Executive Members, Chairmen of Committees, Directors and senior managers, the Shared Internal Audit Service and External Audit. Corporate

Management Team considered the Annual Governance Statement and Action Plan on 13 August 2013.

- 3.2 The Annual Governance Statement and Action Plan will be considered by Corporate Business Scrutiny Committee and the Executive, prior to approval by Audit Committee.
- 3.3 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

Annual Governance Statement 2012/13 – Audit Committee 10 July 2013.

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