

EAST HERTS COUNCIL

AUDIT COMMITTEE – 16 JULY 2014

REPORT BY THE LEADER OF THE COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report details proposals for taking forward the 2013/14 Annual Governance Statement.

<u>RECOMMENDATIONS FOR AUDIT COMMITTEE:</u>	
That:	
(A)	Audit Committee consider the Annual Governance Statement as part of the wider consultation process;
(B)	Members' comment on the relevance of issues already raised and as detailed in paragraph 2.9 of the report;
(C)	The proposed process for taking forward the 2013/14 Annual Governance Statement be approved; and
(D)	Audit Committee supports the comments made within the "Protecting the Public Purse" self-assessment document, as detailed in Essential Reference Paper "C".

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 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 and Action Plan is attached to this report as **Essential Reference Paper 'B'**. The Annual Governance Statement Action Plan has been monitored through Corporate Management Team and at each meeting of the Audit Committee; the latest position showing progress made against

recommendations is reported in a separate report to this Audit Committee.

- 2.8 In order to add real value to the Annual Governance Statement the intention is for officers to consider the Annual Governance Statement and current 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 Consultation documents have been sent to the Leader and Executive Members, Chairmen of Committees, Directors and senior managers, Internal Audit and External Audit. Corporate Management Team considered the Draft Annual Governance Statement on 10 June 2014. To date, matters identified for amendment and/or further consideration include:
- The carry forward of outstanding items in the existing Annual Governance Action Plan.
 - Future investments into property funds as a means of decreasing reliance on government funding.
 - The effectiveness of the delivery of the "Here to Help" programme.
 - Changing references, culture and service delivery from Development Control Committee to Development Management Committee.
 - Statistics relevant to 2012/13 need to be updated to reflect 2013/14 positions.
 - Information in respect of SIAS needs to be updated.
 - 2013/14 Action Plan needs to be replaced by 2014/15 Action Plan.
- 2.10 In November 2013 the Audit Commission issued their annual "Protecting the Public Purse" report, based on submissions from all local authorities. This report shows those responsible for governance in local government bodies how they can fight fraud more effectively.
- 2.11 Appendix 2 of "Protecting the Public Purse 2013" contained a checklist for Councillors and others responsible for governance to review their counter-fraud arrangements. This checklist has been completed as a self-assessment and is attached as **Essential Reference Paper 'C'**. The majority of the twenty nine questions have been answered in the positive. Several questions cannot be specifically answered as they are not applicable to this Council.

- 2.12 Management of the Council's counter-fraud work against good practice (Qu 7) has not been assessed. However, the forthcoming introduction of the Department for Work and Pensions Shared Fraud Investigation Services (SFIS) gives the Council the ideal opportunity to assess their counter-fraud resources alongside the Shared Internal Audit Service.
- 2.13 Identification of general risks and fraud risks are all considered to be adequately covered within the Council's risk management processes. The self-assessment provides increased confidence in the Council's anti-fraud and anti-corruption arrangements and will be utilised to support the Annual Governance Statement.
- 2.14 Any items raised that are considered to be significant governance issues will be discussed by the Monitoring Officer, the Chief Finance Officer and the Manager of Corporate Risk and an Annual Governance Statement and Action Plan that identifies required enhancements to internal control arrangements will then be drawn up.
- 2.15 The subsequent intended timeline will be for the Annual Governance Statement and Action Plan to be considered at:
- Corporate Management Team- 12 August 2014.
 - Corporate Business Scrutiny Committee- 28 August 2014.
 - Executive- 2 September 2014.
 - Audit Committee- 24 September 2014- for approval.

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 2012/13- Audit Committee 18 September 2013.

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