

EAST HERTS COUNCIL

AUDIT COMMITTEE – 15 JULY 2015

REPORT BY THE LEADER OF THE COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- This report details proposals for taking forward the 2014/15 Annual Governance Statement.

**RECOMMENDATION FOR AUDIT COMMITTEE:**

**That:**

<b>(A)</b>	<b>Audit Committee considers the Annual Governance Statement as part of the wider consultation process;</b>
<b>(B)</b>	<b>Audit Committee takes an initial view on the relevance of issues already raised to date for further consideration as detailed in Paragraph 2.9 of the report; and</b>
<b>(C)</b>	<b>The proposed process for taking forward the 2014/15 Annual Governance Statement be approved.</b>

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 (CMT) and at each meeting of the Audit Committee and the latest position is reported in a separate report to this CMT.

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. To date, matters identified for amendments and/or further consideration include:
- Customer Services Strategy and the changing service interface for the future e.g. channel shift and becoming more customer led in service design.
  - Health and Wellbeing Scrutiny Panel as a Scrutiny Committee from 2015/16.
  - Reference to the Local Government Transparency Code requirements.
  - Development of joint working on waste and street cleansing with North Herts Council.
  - Organisational Development Strategy.
  - Rules and processes around the Standards Committee.
  - The new Shared Anti-Fraud Service.
  - Recruitment of a new Chief Executive.
  - Section 106 administration.
  - Strategic risks identified for 2015/16.
  - Statistics relevant to 2013/14 need to be updated to reflect 2014/15 positions.
  - Information in respect of SIAS needs to be updated.
  - 2014/15 Action Plan needs to be replaced by 2015/16 Action Plan.
  - Possible carry forward of actions outstanding from 2014/15 Action Plan.
  - Sign-offs by new Leader and Chief Executive.
  - Management assurance statements returned in June 2015.
- 2.10 Any items raised that are considered to be significant governance issues will be discussed by the Acting Chief Executive, the Acting Monitoring Officer, the Chief Finance Officer and the Head of Governance and Risk Management and a Draft Annual Governance Statement and Action Plan that identifies required enhancements to internal control arrangements will be drawn up.
- 2.11 The subsequent intended timeline will be for consideration of the Draft Annual Governance Statement and Action Plan at:
- Corporate Management Team - 11 August 2015.
  - Corporate Business Scrutiny Committee - 25 August 2015.
  - Executive - 1 September 2015.
  - Audit Committee - 23 September 2015- 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 2013/14- Audit Committee 24 September 2014.

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