

EAST HERTS COUNCIL

AUDIT COMMITTEE – 23 SEPTEMBER 2015

REPORT BY THE LEADER OF THE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2014/15

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report presents the 2014/15 Annual Governance Statement at **Essential Reference Paper ‘B’** and the 2015/16 Annual Governance Statement Action Plan at **Essential Reference Paper ‘C’**.

RECOMMENDATION FOR AUDIT COMMITTEE:

That:

(A)	the Annual Governance Statement 2014/15 and Action Plan 2015/16 be approved.
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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 out-going 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, Management Assurance Statements, Ombudsman reports, 3 C's reports, National Fraud Initiative reports and the Annual Report.
- 2.9 The Audit Committee has monitored the 2014/2015 Annual Governance Statement Action Plan throughout the year. At the Audit Committee on 15 July 2015, it was reported that three significant governance issues remained outstanding and their status showed as "Amber". All these issues are considered to remain significant and have therefore been carried forward to this year's Action Plan with target dates updated to reflect any changes of circumstances.
- 2.10 Any items that could be considered significant governance issues which have been identified in the past year have been discussed by the Acting Chief Executive, the Acting Monitoring Officer, the Chief Finance Officer and the Head of Governance and Risk Management. No new issues have been identified to include in the Action Plan; no

specific issues were raised either by Grant Thornton or the Shared Internal Audit Service.

- 2.11 An Annual Governance Statement and an Action Plan that identifies required enhancements to internal control arrangements has been drawn up.
- 2.12 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.
- 2.13 The Annual Governance Statement Action Plan 2015/2016 can be found at **Essential Reference Paper 'C'**. The three issues identified will continue to be monitored through Corporate Management Team and Audit Committee.
- 2.14 These documents were considered by Corporate Business Scrutiny Committee on 25 August 2015 and the Executive on 1 September 2015. The Corporate Business Scrutiny Committee supported the Statement and suggested that the Action Plan be more detailed and SMART and these comments were later supported by the Executive. In the past, the approved Action Plan has provided a brief summary of the issues, together with a summary of actions needed to achieve milestones. Officers have then subsequently expanded on the detail and further broken down the Actions needed such that they are SMART. The intention is to bring the detailed information back to the November meeting of the Audit Committee, together with the progress report.
- 2.15 Responsibility for approval of the Annual Governance Statement rests with the Audit Committee, as part of the approval of the Annual Accounts.

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 Grant Thornton. Corporate Management Team considered the Annual Governance Statement and Action Plan on 11 August 2015.
- 3.2 Corporate Business Scrutiny Committee and the Executive considered the Annual Governance Statement and Action Plan, 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

Draft Annual Governance Statement 2014/15- Audit Committee 15 July 2015.

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