

EAST HERTS COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

REPORT BY THE LEADER OF THE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015/16

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

- This report presents the 2015/16 Annual Governance Statement and the 2016/17 Annual Governance Statement Action Plan.

RECOMMENDATION FOR AUDIT AND GOVERNANCE COMMITTEE:

That:

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| (A) | The 2015/16 Annual Governance Statement and 2016/17 Action Plan 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 and Governance 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 and Governance 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, e.g. "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 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.
- 2.8 The Audit and Governance Committee has monitored the 2015/2016 Annual Governance Statement Action Plan throughout the year. At the Audit and Governance Committee on 15 June 2016, it was reported that one governance issue had been completed and two significant governance issues remained outstanding and their status showed as "Amber". These outstanding 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.
- 2.9 The Chief Executive, the Monitoring Officer and the Chief Finance Officer have discussed any items that could be considered significant governance issues that have been identified in the past year. No new issues have been identified to include in the Action Plan; no specific issues were raised either by the external auditor or the Shared Internal Audit Service.
- 2.10 An Annual Governance Statement and an 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. **Essential Reference Paper 'C'** is the Annual Governance Statement without the tracked changes for ease of reading.
- 2.12 The Annual Governance Statement Action Plan 2016/2017 can be found at **Essential Reference Paper 'D'**. The two issues identified will continue to be monitored through the Leadership Team and the Audit and Governance Committee.

- 2.13 These documents were considered by Corporate Business Scrutiny Committee on 30 August 2016 and the Executive on 6 September 2016. Responsibility for approval of the Annual Governance Statement rests with the Audit and Governance Committee, as part of the approval of the Annual Accounts.
- 2.14 CIPFA and the Society of Local Authority Chief Executives and Senior Managers (Solace) have published a new 'Delivering Good Governance in Local Government: Framework' in 2016. This framework will apply to annual governance statements prepared for the financial year 2016/17 onwards as required by the CIPFA Code of Practice on Local Authority Accounting. The 2016/17 Annual Governance Statement will incorporate the changes required by the new framework.
- 3.0 Implications/Consultations
- 3.1 Consultation documents were sent to the Leader and Executive Members, Chairmen of Committees, Leadership Team, the Shared Internal Audit Service and EY. Leadership Team considered the Annual Governance Statement and Action Plan on 15 August 2016.
- 3.2 Corporate Business Scrutiny Committee and the Executive considered the Annual Governance Statement and Action Plan, prior to approval by the Audit and Governance Committee.
- 3.3 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None.

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