



## ESSENTIAL REFERENCE PAPER 'B'

### DRAFT ANNUAL GOVERNANCE STATEMENT 2010/11 AND ACTION PLAN 2011/12

#### **Scope of responsibility**

East Hertfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007).

This statement explains how the Council has complied with the code and also how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

Further copies of this statement are available on the Council's website [www.eastherts.gov.uk/](http://www.eastherts.gov.uk/), alternatively paper copies can be obtained from:

East Hertfordshire District Council  
Director of Internal Services  
Wallfields  
Pegs Lane,  
Hertford  
SG13 8EQ

#### **The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and by which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Controls cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify risks to the achievement of the council's policies,

aims and objectives. It evaluates the likelihood of those risks being realised and the impact should they be realised, and it prioritises and manages them efficiently, effectively and economically.

The governance framework described below has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

### **The Governance Framework**

The Council's governance framework derives from the six core principles identified by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The Commission used work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007.

The six core principles are:

- a. focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- b. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c. promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d. taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e. developing the capacity and capability of Members and officers to be effective; and
- f. engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of East Herts Council's application of each of these core principles are as follows:

#### **a) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**

The Sustainable Community Strategy outlines the vision, aims and priority themes for the district. It was produced in conjunction with the East Hertfordshire Local Strategic Partnership, which brings together all relevant stakeholders, including those that deliver services in the area.

The Council's aims and objectives are set out in the annually updated Corporate Strategic Plan. This contains five priorities (which are currently under review), plus related aims and objectives. The Corporate Strategic Plan sets out what the Council expects to deliver over the next four years and, in many cases, beyond this timeframe. The details of how the Council will get there are incorporated in the individual service plans. The Plan will be updated each year to include new service developments and to remove actions once they are completed. The Plan sets the direction for the financial planning of the Council based on the Council's priorities.

The Executive receives the Medium Term Financial Strategy covering a four-year period, which is used to set initial parameters for the coming budget process to ensure that spending proposals are affordable and sustainable over the medium term.

The diagram below sets out the various links in the process of establishing and subsequently monitoring the achievement of the Council's ambitions. It shows the links between the Sustainable Community Strategy and Corporate Strategic Plan which then feed into, and are informed by, service plans, service targets and individual employees via specific areas of responsibility allocated to them.



The Council has an effective performance management framework using a dedicated IT system to record and report performance. The system is driven by the Service Plans which focus on activities that will deliver the Council's ambitions and priorities. This is cascaded through individual employee appraisals.

This process monitors how the Council is meeting its targets and triggers corrective actions where targets are proving challenging.

The Council's Executive and its Scrutiny Committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary. For ease of interpretation performance graphs are reported. There are reports which include the results of monthly and quarterly budget monitoring reports covering the revenue expenditure, capital projects, key performance indicators and absence monitoring.

The monitoring process has enabled the Council to concentrate on areas which require particular attention.

The Council is therefore able to monitor all key measures on a monthly basis and respond quickly and effectively to changes at an early stage.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of securing continuous improvement in

the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness in the use of resources. The Council has regularly reviewed Financial Regulations and has adopted new Procurement Regulations from November 2010 to ensure proper arrangements are in place for procurement of goods and services.

All budget cost centres are allocated to a named post holder, who is responsible for controlling spend against those budgets, and who is also responsible for maximising the benefits from assets used in the provision of their service.

#### **b) Members and officers working together to achieve a common purpose with clearly defined functions and roles**

The Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

As required by the Local Government and Public Involvement in Health Act 2007, East Hertfordshire District Council drew up proposals for new arrangements for the discharge of its executive functions, to take effect immediately after the Council elections in May 2011.

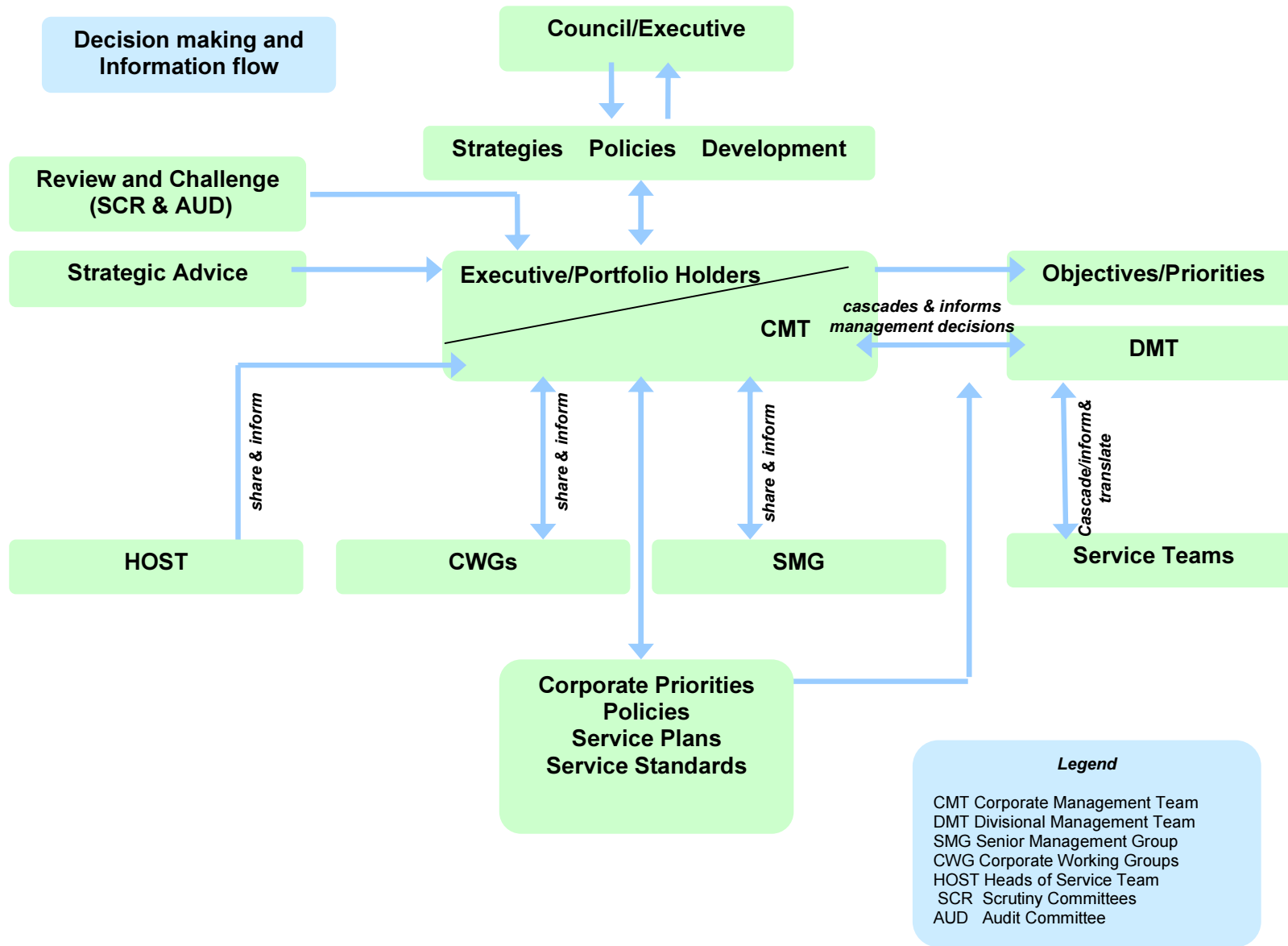
These proposals followed public consultation by the Council on the two broad options for new executive arrangements allowed by the 2007 Act (Leader and Cabinet Executive; and Mayor and Cabinet Executive).

The Council adopted the Leader and Cabinet Executive model. The main features are:

- The Council's Executive consists of a Leader and between two and nine other Councillors.
- The Leader is elected by full Council (initially at its annual meeting in May 2011) and will hold office until his term as Councillor has expired.
- The other Executive Members will be appointed by the Leader who will decide their portfolios and also which executive functions will be discharged by full Executive, any of its Committees or any individual Executive Member or officers.
- There are currently five Councillors on the Executive.

The Council's Corporate Management Team (CMT) consisting of the Chief Executive, Directors and the Head of People and Organisational Services meets on a fortnightly basis to develop policy issues commensurate with the Council's aims, objectives and priorities. CMT also considers internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management. Members of CMT meet with Portfolio Holders on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, budget monitoring, performance management and forward planning for major issues. CMT has a corporate responsibility for the messages that the Council produces, both internally and externally.

Below CMT the management structure is well defined. The chart below indicates how decisions are implemented and cascaded:



The Senior Management structure review is currently underway in order to implement the cost savings agreed within the Medium Term Financial Plan. The reduction in management capacity will require senior management to undertake more operational responsibilities. There will be a reduction in capacity of more senior officers to respond to enquiries. Focus will be on key activities.

The Council has adopted a number of codes and protocols that will govern both Member and officer activities. These are:

- Members' Code of Conduct
- Officers' Code of Conduct
- Members' Planning Code of Good Practice
- Member/Officer Relations Protocol

**c) Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive and Section 151 Officer he will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Under Section 5 of the Local Government and Housing Act 1989 it is the duty of the Council's Monitoring Officer to report to Council if it appears that the Authority, a Committee or Officer of the Authority has made a decision which is contrary to law. There were no reports made during 2010/11.

The Council has responsibility for responding to Freedom of Information Requests (FOI) promptly and within 20 working days. It has not always been possible to respond to all requests within this timescale.

The Council has taken action to improve its speed of response to FOIs. An important element of that plan is to shift the Council from waiting for FOI requests to proactively reducing the need for individuals to request information by making a wider range of information more easily available through the Council's website. This will include designing improvements to the website front page and more clearly signposting enquirers to the most used information. An action plan to better facilitate easy access to information and the management of freedom of information has been agreed.

The Council recognises that expenses of politicians have come under serious scrutiny. The current Members Allowances scheme is published in the Constitution. A new Independent Remuneration Panel was established and its recommendations for Members Allowances in 2011/12 were considered by Council in February 2011. The review of 2012/13 allowances by the Panel will commence in Autumn 2011.

All Council services are delivered by trained and experienced people. All posts have a detailed post profile and person specification. Training needs are identified through the Personal Development Review Scheme and addressed via the Human Resources service and/or individual services as appropriate.

The Council achieved re-accreditation for a further three years from April 2009 under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

The financial management of the Council is conducted in accordance with the Constitution and with Financial Regulations. The Director of Internal Services is the statutory Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Council has a Treasury Management Strategy Statement and Annual Investment Strategy in place. Investments are made in accordance with the Council's approved policy. All investment transactions and transfers undertaken in house are supported by appropriate documentation and are properly authorised. External fund managers are subject to strict regulation by the FSA. The Portfolio holder and the Leader of the Council receive regular updates from the Director of Internal Services. The Chairman of the Audit Committee and Chairman of Corporate Business Scrutiny Committee are invited to participate in review meetings with Fund Managers.

The Council maintains an Internal Audit section, which operates to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. An Anti-Fraud and Anti-Corruption Strategy and a Disclosure (Whistleblowing) Code are in place. A Whistleblowing hotline and email facility operates and has been well publicised. All staff received Annual Declaration Letters with their February 2011 payslips. The Council has adopted a policy on Bribery during the last year. The Council does not tolerate bribery committed by Council employees or its contractors or partners and will take consistent and swift action against those persons committing bribery.

Individual services have produced Service Plans that are updated each year so that services know what they are required to do to achieve the Council's priorities and ambitions.

At individual employee level the Council has established a Personal Development Review Scheme so as to jointly agree individual employee objectives and identify training and development needs. The Scheme provides for a mid-year review as well as an annual appraisal at which past performance is reviewed.

**d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

The Council has several committees which carry out regulatory or scrutiny functions. These are:

- Overview and Scrutiny committees (Corporate Business Scrutiny, Community Scrutiny and Environment Scrutiny) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions, developing the capacity and capability of members and officers to be effective.
- Audit Committee provides assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management

is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;

- Development Control Committee determines planning applications and related matters;
- Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- The Human Resources Committee's functions relate to all aspects of the Council's role as an employer. This includes the monitoring and strategic overview of Human Resources activities.
- Standards Committee promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the District;

The Council has data protection policies and a data sharing protocol in place to ensure that personal data is maintained securely and used correctly.

The Risk Management Strategy defines risk management, explains the benefits of a strategic approach, outlines how it will be implemented, identifies roles and responsibilities and formalises the process. The Strategy sets out the links between risk management, emergency planning and business continuity. It recognises that risk management is a key part of the management of projects and partnerships.

The Strategy highlights how risk management supports strategic planning, financial planning, policy making and review and performance management.

The Corporate Management Team is responsible for ensuring that the key risks on the strategic risk register are managed. Strategic and service risk registers are reviewed on a quarterly basis. Risks will be amended so that they reflect the current situation, obsolete risks deleted and new risks added. This will ensure that the risk register and the resulting risk mitigation measures are appropriate for corporate objectives and services.

Risk management reporting arrangements are included which describe the roles and responsibilities of Members and officers. Members have received risk management training.

A new Strategic Risk Register was developed with assistance from Zurich Management Services Ltd. New operational risks have also been developed. The Council also has a Partnership Protocol in place.

The Council is one of four partners in the Stevenage CCTV Partnership. The structure of the partnership is being reviewed. This review will include the governance arrangements.

#### **e) Developing the capacity and capability of Members and officers to be effective**

The Council plans and provides training for members in carrying out their roles effectively including their responsibilities for governance, challenge, scrutiny and review.

During 2010/11 Councillors attended the following scrutiny related events:

- Implications of New Government



- Data Quality
- Covalent training (Performance Management software)
- Questioning for Scrutiny
- CfPS Parliamentary Seminars
- Assessing the Quality of Evidence
- Big Society Learning Network meetings delivered by Local Government Information Unit.
- Programme and Project Management
- Information Governance
- Pension Assets and Liabilities
- Anti-Fraud arrangements and fraud awareness
- Risk Management
- Commuted Sums.

The Members' Corporate Training Plan for 2011/12 provides training in the following areas relating to scrutiny:

- Development Control Committee training.
- IT Training
- Covalent Training
- Web pages and Web casting
- Effective Scrutiny
- Charing Meetings
- Licensing Training
- Council Budgets
- Procurement/ Health and Safety/ Shared Services

Various other training initiatives are also in the process of development to be delivered to future Scrutiny and Audit Committees.

The Council has an infrastructure in place to support members' needs in respect of ICT requirements and the Council's Democratic Services team provide advice and assistance.

Protocols have been adopted to ensure clarity of the respective roles of officers and members.

The Council's recruitment process is designed to ensure only well qualified applicants are employed and the subsequent induction process is robust so that employees are effective. The Performance Development Review process ensures individual contributions are effective in meeting corporate priorities and capability issues addressed by training. Internal communications methods and processes are reviewed to ensure staff remain well informed and their feed back is responded to. A biennial staff survey leads to action plans to improve effectiveness.

The Council reviews its organisation and capacity as part of its annual service planning to ensure its staffing is commensurate in both quantitative and qualitative terms with its business plans. The Council is committed to taking forward the shared services agenda which will ensure more effective use of scarce skills by sharing across boundaries. A Shared Internal Audit Service across Hertfordshire came into operation from June 2011

and approval has been given to have a shared service for Revenues and Benefits with Stevenage Borough Council. Sharing ICT, HR, Exchequer and Facilities Management services with North Hertfordshire and Stevenage Councils is under active consideration.

The Council's HR People Strategy seeks to ensure its pay and terms and conditions are adequate to attract and retain sufficient staff and to encourage staff to invest in their own development.

The Council seeks to maintain effective industrial relations to enable a high standard of service to the public to be maintained. Staff are fully consulted on proposed changes to terms and conditions. The Council engages with the trade union and staff to manage issues arising from pay settlements and changes to the organisation including the Local Joint Panel and the Human Resources Committee.

Extensive use is made of the Intra net to provide staff with ready access to learning material and best practice via a series of tool kits.

**f) Engaging with local people and other stakeholders to ensure robust public accountability.**

The Council encourages all members of the local communities to contribute to, and participate in, the work of the Council. The Council achieves this through various resident polls, Community Voice and budget consultation exercises, to ensure that what it is doing meets the needs of its residents. The National Place Survey which was previously introduced to replace the Best Value Performance Indicator (BVPI) survey is no longer taking place. Community Voice will not continue in its current format. Engagement events around specific issues will be considered where they provide a proportionate and cost effective model for engagement.

The Council carried out a Residents' Survey in 2009 and Corporate Business Scrutiny Committee were presented the results on 17 November 2009, along with an action plan which incorporated the actions coming out of the 2008 Place Survey findings. Overall, both survey results recorded improvements for example:

- Satisfaction with the local area has risen from 82% in the 2006/07 BVPI Survey to 89.5 % in the Place Survey, demonstrating that the Council in partnership with other agencies is focusing and delivering on the concerns of local residents.
- Three out of five residents (61%) are generally satisfied with how the Council is running East Herts according to 2009 Residents Survey. This level of satisfaction is broadly reflected in the results from previous resident surveys.
- The percentage of residents that feel that the Council provides good value for money was relatively balanced between positive and negative in 2009 (53% and 48% respectively) and was a significantly more positive result than in 2006/07 when only 45% responded in the positive to this statement and 56% responded negatively.
- Similarly an increasing proportion of residents, responded positively to the statement that the Council is efficient and well run: 63% in 2009 Residents Survey and 61% in 2006/07.

The action plan is a monitoring tool to help the Council and its partners continue to improve. Corporate Business Scrutiny Committee monitors the action plan on an annual

basis. The final monitoring against this action plan was presented to Corporate Business Scrutiny on 31 May 2011.

The next Residents Survey is due to be undertaken in autumn 2011. The results of this survey will be used to form the basis of the next action plan.

Alongside the surveys, the Council consults residents and local businesses through specific focus group consultation seeking to ensure representation from the wider community on the forthcoming budget proposals. For 2011/12 this took place between October and November 2010 and focused on issues such as community grants, public toilets, homelessness help, Police Community Support Officers (PCSOs), engagement and consultation and supporting businesses. Alongside focus group consultation an online budget simulator was made available for the first time in order to engage more of the East Herts population.

As a result of this consultation, it was agreed that the Council would:

- continue to support PCSOs for another year whilst we hold a community safety review
- reduce the consultation budget by £14,000
- reduce but not remove the rent deposit support for people moving into the rental market
- continue to support businesses, subsidising where necessary whilst ensuring where possible that businesses are self funding.

The Council also consults with its staff, the most recent Staff Survey being undertaken in December 2008. The Staff Survey has now become triennial and therefore the next survey is due in 2011.

The Council's Community Voice meetings engaged with the public. Information from these meetings has been used to shape the future development of our vision including future investment and service provision. As part of this process, any impact on governance arrangements has been identified and responded to appropriately. Community Voice will not continue in its current format but Engagement events around specific issues will be considered.

Individual members are active in their localities and with local groups and serve on a number of external bodies.

The Hertfordshire County LSP and the East Herts District LSP are forums for active engagement with wider stakeholders and a mutual holding to account in delivering the Community Plans. The Chairman of the Health Engagement Panel (a standing panel under Community Scrutiny Committee) has a seat on the Hertfordshire Health Scrutiny Committee.

The Council publishes an Annual Report setting out progress on its priorities in the prior year. An Annual Report on Overview and Scrutiny is also published every year.

There is a strategic approach to consultation to ensure the information returned is reliable – the Council has adopted a Consultation Toolkit setting out best practice.

The Council's web site is under constant review to ensure it is of a good standard and that information is easily accessed. A consultation section has been introduced so members of the public can easily access open consultations and information on closed consultations.

The Council manages freedom of information requests effectively to ensure transparency including the corporate governance arrangements. Information is made available on the website to reduce the need for requests.

### **Review of Effectiveness**

Each year, the Council reviews its governance framework including the system of internal control. The process to be adopted for a review is detailed below:

- All Directors, Heads of Service, Members of the Executive and Chairmen of Committees given the opportunity to make contributions.
- Production of a draft Annual Governance Statement.
- Consideration by the Audit Committee.
- Consideration by the Human Resources Committee.
- Consideration by the Corporate Business Scrutiny Committee.
- Consideration by Corporate Management Team
- Consideration by the Executive
- Approval by the Audit Committee.
- Approval by full Council.

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2010/11.

The review of effectiveness is informed by the work of the Directors within the Council who have responsibility for the development and maintenance of the governance environment, the reports by the Internal Audit and Business Improvement Manager and also by comments made by the Council's External Auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.

The Council has three overview and scrutiny committees. The committees can establish 'task and finish' groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to their 'parent' Scrutiny Committee and on to the Executive. Four Members can "call-in" a decision which has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. In addition the Corporate Business Scrutiny Committee can exercise its scrutiny role in respect of Executive functions, Scrutiny Committees will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing.

## **The Standards Committee**

- In July 2008 the Standards Committee approved processes for local assessment of complaints to be processed. These processes have been updated.
- Assessment Sub-Committees considered eight complaints in 2010/11. No breaches of the Code were identified.

## **The Localism Bill**

In the Localism Bill, the Government will abolish the Standards Board regime. Instead, it will become a criminal offence for Councillors to deliberately withhold or misrepresent a personal interest. A local regime will be identified by the authority.

## **Regulation of Investigatory Powers Act (RIPA) 2000:**

The Council complies with the RIPA. The number of directed surveillance authorisations granted since April 2010 was ten of which:

- Eight authorisations were for fly-tipping.
- One authorisation was for anti-social criminal behaviour.
- One authorisation was for fly-posting.

## **The Audit Committee**

Seven Councillors sit on the Audit Committee. The Committee's terms of reference are detailed below:

### **Audit Activity**

1. To consider the Internal Audit and Business Improvement Manager's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
2. To consider summaries of specific Internal Audit reports as requested.
3. To consider reports dealing with the management and performance of the providers of Internal Audit services.
4. To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
6. To consider specific reports as agreed with the External Auditor.
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.

8. To liaise with the Audit Commission over the appointment of the Council's External Auditor.
9. To commission work from internal and external audit.

### **Regulatory Framework**

10. To maintain an overview of the Council's Constitution in respect of rules of procedure relating to contracts, financial regulations and financial procedures and codes of conduct and behaviour.
11. To review any issue referred to it by the Chief Executive or a Director or any Council body.
12. To monitor the effective development and operation of risk management and corporate governance in the Council.
13. To monitor Council policies on "Confidential Reporting" and the anti-fraud and anti-corruption strategy and the Council's complaints process.
14. To oversee the production of the Authority's Annual Governance Statement and to recommend its adoption.
15. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
16. To consider the Council's compliance with its own and other published standards and controls.
17. To review arrangements for delivering value for money.
18. To review the Council's finances including borrowing, loans, debts investments and banking arrangements.

### **Accounts**

- To approve the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the External Auditors' report to those charged with governance on issues arising from the audit of the accounts.

The Audit Committee's work programme and the minutes of its meetings are public documents and are published on the Council's web site.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a 3-year plan, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant chief officer and service manager. The report includes recommendations for improvements that are included within an action plan (and graded as high, medium or low risk). This requires agreement or rejection by relevant

chief officer and/or service manager. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include an opinion on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions.

|                       |  |
|-----------------------|--|
| Substantial assurance | All required controls are in place and functioning correctly, performance indicators are good and no errors were detected during the period of review.   |
| Good assurance        | All major controls are in place, some minor controls may be absent or have faltered, performance indicators are good and no errors were detected during the period of review.                    |
| Adequate assurance    | Major controls are in place, some minor controls may be absent or have faltered, performance indicators suggest no problems and no significant errors were detected during the period of review. |
| Limited assurance     | Major controls have failed or are absent and/or major errors have been detected during the period of review.   |

Direction of travel statements in respect of any change of audit opinion since the previous review are also contained within all audit reports.

All Internal Audit reports are circulated to members of the Audit Committee and the progress reports on the work of Internal Audit address issues arising from these ratings. The Internal Audit and Business Improvement Manager has a direct reporting line to the Director of Internal Services.

The Internal Audit and Business Improvement Manager's 2010/11 Annual Report has confirmed that the overall level of assurance awarded for systems reviewed is "good". This represents an unchanged direction of travel. During 2010/11 the Internal Audit team assigned substantial assurance to eight areas, good assurance to twelve areas, adequate assurance to three areas and a limited assurance to IT Procurement.

The Internal Audit service is subject to regular inspection by the Council's External Auditors who place reliance on the work carried out by the section. External Audit have recently concluded that "the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council". Their review of files confirmed that "no issues were identified with internal audit's work and these (files) were produced to a high standard"

The Hertfordshire Shared Internal Audit Service has taken on responsibility for delivery of the Internal Audit Plan from 1 June 2011. The Shared Internal Audit Service (SIAS) will also deliver a service to Hertfordshire County Council, Hertsmere Borough Council, North Hertfordshire District Council, Stevenage Borough Council and Welwyn Hatfield Borough Council. The three main drivers for this partnership are seen as providing greater resilience, higher levels of performance and greater efficiencies.

The SIAS will in future give one of five levels of assurance: Full, Substantial, Moderate, Limited or No Assurance.

For performance management, a traffic light monitoring and reporting system is in place. Performance data is reported to the Scrutiny committees on a frequent basis, with corrective action plans put in place for any under-performing areas.

In January 2010 the Audit Committee received a report from the External Auditor on the Council's arrangements for audit and scrutiny. The report concluded that the Council had developed the scrutiny function since 2007 and that the Audit Committee had improved its effectiveness. The level of scrutiny at East Herts is considered similar to other councils audited by the External Auditor and "the commitment to scrutiny is strong and well supported by officers". Arising from this report an Action Plan was agreed and six monthly progress reports were presented to Audit Committee during the period November 2009 to November 2010. This action plan is now deemed to have been completed. An evaluation of the scrutiny of C3W is scheduled for Corporate Business Scrutiny Committee to consider in November 2011.

External Audit identified audit risks in their Audit Plan 2010/11 as Accounting under IFRS, Financial performance pressures, revaluation of fixed assets and the C3W project. They have not identified any new risk areas in their Accounts Audit Approach Memorandum in June 2011.

The most significant areas where the self assessment has highlighted further development is needed are set out below. Given the previously highlighted situation of constrained resources, focus has been placed on identifying only significant weaknesses.

The Council's Corporate Management Team has reviewed and approved this Annual Governance Statement.

### Significant governance issues

The following required enhancements to internal control arrangements were identified during 2010/11 as a result of the review of arrangements and by the work of external and internal audit:

#### Required enhancements to internal control arrangements:

| Milestone  | Resp. Off. | Target Date | Actions needed to achieve milestone   | Status       |
|--|------------|-------------|---|--------------|
| Risk that Shared Services programmes fail to deliver required levels of efficiency | Alan Madin | March 2012  | <ul style="list-style-type: none"> <li>Strategic Business cases to be delivered in respect of services in scope.</li> </ul> | <b>AMBER</b> |



|   |                  |                                     |  |              |
|---|------------------|-------------------------------------|--|--------------|
| Risk of failure to deliver an effective, efficient and economic IT service  | Alan Madin       | March 2011<br>Revised to March 2012 | <ul style="list-style-type: none"> <li>• IT Strategy in place.</li> <li>• All outstanding high risk IT audit recommendations implemented.</li> <li>• Resilient IT business continuity arrangements in place.</li> <li>• IT Procurement undertaken in line with Procurement Regulations.</li> </ul> | <b>AMBER</b> |
| The actions arising from the review by the External Auditor of C3W need to be completed and embedded.   | Neil Sloper      | Nov. 2011                           | <ul style="list-style-type: none"> <li>• Completion of C3W Project Plan,</li> <li>• Completion of Scrutiny Committee evaluation of C3W.</li> </ul>   | <b>AMBER</b> |
| Risk of failure to introduce flexible working arrangements will limit the opportunity to make cost savings, opportunities to work with other partners and adversely affect staff retention. | Neil Sloper      | March 2011                          | <ul style="list-style-type: none"> <li>• Completion of Business Process Improvement process.</li> </ul>  | <b>AMBER</b> |
| To implement health and safety risk assessments.  | Chris Gibson     | March 2011<br>Revised to Sept 2011  | <ul style="list-style-type: none"> <li>• All risk assessments completed and published on the Intranet.</li> <li>• Regular reporting of compliance arrangements in place.</li> </ul>  | <b>AMBER</b> |
| Hertford Theatre future governance arrangements   | George Robertson | June 2013                           | <ul style="list-style-type: none"> <li>• Options to be developed to consider financial and other risks during a period of transition.</li> </ul>   | <b>AMBER</b> |
| CCTV governance issues  | Simon Drinkwater | Sept 2011                           | <ul style="list-style-type: none"> <li>• New governance arrangements in operation.</li> </ul>  | <b>AMBER</b> |

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|--|---------------------|---------------|---|--------------|
| Refuse Contract-<br>to ensure that<br>new contract is<br>embedded. | George<br>Robertson | May 2012      | <ul style="list-style-type: none"> <li>New contract arrangements seen to be working well in report to Scrutiny Committee after twelve months.</li> </ul>                          | <b>AMBER</b> |
| Ability to<br>maximise<br>efficiencies<br>making use of the<br>Web | Neil Sloper         | March<br>2012 | <ul style="list-style-type: none"> <li>Put in place monitoring arrangements to review value for money of publishing information and to ensure it meets customer needs.</li> </ul> | <b>AMBER</b> |

We propose to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Certification by the Leader of the Council and the Chief Executive

| <b>Name</b> | <b>Position</b> | <b>Date</b> | <b>Signature</b> |
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| Councillor A P Jackson | Leader |  |  |
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| Anne Freimanis | Chief Executive |  |  |
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