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AUDIT COMMITTEE

DATE OF MEETING: 13 July 2015

<p>PRESENTATION AND APPROVAL OF THE COUNCIL’S ANNUAL GOVERNANCE STATEMENT FOR 2014/15 PORTFOLIO HOLDERS: COUNCILLORS MORRIS BRIGHT AND JOHN GRAHAM</p> <hr/> <p>SUMMARY This report presents the Council’s Annual Governance Statement for 2014/15 for approval by Members of the Audit Committee.</p>

1 ACTION RECOMMENDED

- 1.1 That the Committee considers and approves the Council’s Draft Annual Governance Statement (AGS) and Action Plan.
- 1.2 That the Audit Committee notes the Action Plan associated with the AGS.
- 1.3 That, subject to any changes required prior to their signing, the AGS be included in the Statement of Accounts 2014/15.

2 INTRODUCTION

- 2.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 requires the Council to:
 - a) Ensure that it has a sound system of internal control;
 - b) Conducts a review at least once a year of the effectiveness of its system of internal control;
 - c) Considers the findings of the review (either at a committee meeting or at Council) and, following that consideration, approves an AGS prepared in accordance with proper practices; and
 - d) Ensures that the AGS accompanies the Statement of Accounts (amending the need to produce a Statement of Internal Control).
- 2.2 Proper practices have been prescribed in a publication titled “Delivering Good Governance in Local Government – Framework” compiled by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the Local Government Association (LGA) and the Audit Commission.

- 2.3 This Framework requires the Council to compile an AGS to provide assurance that:-
- a) Governance arrangements are adequate and operating effectively in practice; and
 - b) Where the review has revealed gaps, what actions are planned that will ensure effective governance in future.
- 2.4 The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (CIPFA / LASAAC) states that the preparation of an AGS fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control, and that authorities should include an AGS reporting on the review in its Statement of Accounts. It also states that:
- a) The AGS should relate to the governance system as it applied during the financial year for the accounts that it accompanies;
 - b) Significant events or developments relating to the governance system that occur between the year end and the date of the Statement of Accounts is signed by the responsible financial officer should be reported; and
 - c) Where an authority undertakes significant activities through group relationships, the review of the effectiveness of internal control should include the group activities.
- 2.5 It is recognised that governance arrangements in the public services are keenly observed and sometimes criticised, however, governance arrangements must not be regarded merely as bureaucracy.
- 2.6 Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Governance comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 2.7 The Framework states:-
- “A ‘good’ governance statement will be an open and honest self-assessment of the organisation’s performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern. It is inevitable that, where the process of review has been rigorous and robust, issues will be identified that the organisation will need to address.”
- 2.8 The Framework advises that approval and ownership of the AGS should be at a corporate level and should be confirmed by the most senior officer (the Chief Executive) and the most senior Member (the Leader) signing the statement on behalf of the Council.

3 REASON(S) FOR RECOMMENDATION

- 3.1 The recommendation enables the Council to comply with The Accounts and Audit (England) Regulations 2011.
- 3.2 The Framework advises that the AGS should cover all significant corporate systems, processes and controls, spanning the whole range of the Council’s activities, eg.,

- a) the authority's policies are implemented in practice,
- b) high-quality services are delivered efficiently and effectively,
- c) the authority's values and ethical standards are met,
- d) laws and regulations are adhered to,
- e) financial statements and other published performance information are accurate and reliable

3.3 The AGS includes the following information:-

- a) an acknowledgement of the Council's responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control),
- b) an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide,
- c) a brief description of the key elements of the Council's governance framework, including reference to group activities where those activities are significant,
- d) a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements,
- e) an outline of the actions taken, or proposed, to deal with any significant governance issues, including an agreed action plan.

3.4 In reviewing and approving the AGS, Members will require assurances on the effectiveness of the governance framework and how this addresses the key risks faced by the Council, taking account of changing risks and circumstances.

3.5 Management from across the Council have provided the primary source of assurance – this is evidenced by each Head of Service producing of a duly certified Management Assurance Statement.

3.6 Another significant source of assurance is the work of the Internal Audit Team – this is evidenced by the production of the Head of Assurance Annual Audit Report, which will be considered by the Audit Committee in July.

3.7 Further assurances are available from a wide range of external sources including corporate assessments and direction of travel statements, inspections and the Council's External Auditors – through the annual audit of the accounts.

3.8 The Officer Corporate Governance Group, which is chaired by the Chief Executive (ie., the Head of Governance), has reviewed the assurances mentioned in Paras 3.5 – 3.7 above, as well as the Constitutional review, performance reporting, risk management arrangements and the individual audit and risk management assessments.

3.9 Prior to the approval of the AGS, the Chief Executive and the Leader of the Council should seek to satisfy themselves that all of the information obtained to support the disclosures made is relevant and reliable so that they can then sign the AGS.

4 FINANCIAL AND BUDGET FRAMEWORK IMPLICATIONS

4.1 None identified.

6 LEGAL IMPLICATIONS

- 7.1 The report and the appendices fulfil the statutory requirements of the Accounts and Audit Regulations 2011.

8 PERSONNEL IMPLICATIONS

- 8.1 None applicable for the purposes of this report.

9 CORPORATE PLAN & POLICY FRAMEWORK IMPLICATIONS

- 9.1 As identified in the body of the report.

10 RISK MANAGEMENT

- 10.1 The failure to prepare an Annual Governance Statement, i.e., not to comply with the statutory requirement of the Accounts and Audit Regulations 2011, carries a number of risks that are assessed as high, e.g., legal and reputational.

11 APPENDICES ATTACHED

- 11.1 Appendix I – Draft Annual Governance Statement 2014/15.
11.2 Appendix A – 2014/15 Annual Governance Statement Action Plan.

12 BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT

- 12.1 None

13 AUTHORS

13.1 Principal Author:

Sajida Bijle (Director of Resources)
Email: sajida.bijle@hertsmere.gov.uk
Ext: 5000

13.2 Contributory Author:

Chris Wood (Audit Manager – Shared Internal Audit Service)
Email: chrisp.wood@hertfordshire.gov.uk
Ext: 01438 845500

