

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT

1. SUMMARY

- 1.1 For the Finance, Audit and Risk Committee to receive, critically review, and recommend for approval the draft Annual Governance Statement (AGS) for the year 2010/11. This Statement reviews the financial year 2010/11 and the period between 1st April and the completion of the Statement of Accounts.
- 1.2 For the Committee to review progress against the action plan arising from the 2009/10 AGS.
- 1.3 For the Committee to note the actions plan arising from the Annual Governance Statement for 2010/11 for implementation in 2011/12.

2. FORWARD PLAN

- 2.1 This report does not cover a recommendation on a key decision and has not been referred to in the Forward Plan.

3. BACKGROUND

- 3.1 The Accounts & Audit (England) Regulations 2011, require the Council to conduct a review at least once in a year of the effectiveness of its system of internal control. The findings of the review must be considered by a Committee. Following the review, the Committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control
- 3.2 These new regulations that came into force on 31st March 2011, have clarified that the Council is required to approve an annual governance statement rather than a statement on internal control reflecting current practice.
- 3.3 Guidance published by the Chartered Institute of Public Finance & Accountancy (CIPFA), states that the Council must have drafted the AGS in order for it to *accompany* the signed and dated statement of accounts by the end of June. The Committee should note that the AGS does not now need to be included in the statement of accounts but, once approved, needs to accompany them. The change in wording emphasises that the statement is separate from the accounts for the purposes of external audit. The Council will include the 2010/11 AGS as an appendix to the accounts.

- 3.4 The AGS has been compiled as a corporate document by the Corporate Governance Group (CGG). This is a Senior Officer Group chaired by the Chief Executive, attended throughout 2010/11 by the Monitoring Officer, Audit Manager and Head of Finance Performance and Asset Management. Each Directorate has been represented by a Head of Service.
- 3.5 The review of the effectiveness of the assurance framework has included the reviews made by external and internal audit as well as the former Audit and Risk Committee itself. Each Head of Service/Corporate Manager has completed an assurance statement that includes a review of their service risks and risk management practices. These Assurance Statements are available for the Committee to review. The annual Internal Audit report and the annual review of the effectiveness of internal audit presented at his meeting has been considered in the compilation of the AGS.
- 3.6 The Chair of the former Audit & Risk Committee prepared an assurance statement on behalf of the former Committee and this is attached at Appendix C.
- 3.7 The draft AGS for 2009/10 was approved by the Audit and Risk Committee at its June 2010 meeting. The final version of the AGS was presented to Council in September with the Statement of Accounts. The Audit and Risk Committee formally noted the revised final AGS at its meeting on 15th September 2010 and monitored progress against the action plan for improvements throughout 2010/11.

4. ISSUES

- 4.1 The arrangement of obtaining assurance statements in the preparation of the AGS provides the Council with an opportunity to review the robustness of its governance and internal control arrangements. It provides an accurate representation of the arrangements that have been in place throughout the year and highlights area where governance can be further reinforced.
- 4.2 The draft AGS for 2010/11 is attached as Appendix A for review before it is finally approved. The AGS is reviewed by the Council's external auditors and will be commented on in their Annual Report to those Charged with Governance that will be presented at the September meeting of this Committee.
- 4.3 The action plan arising from the draft 2010/11 Statement is recorded on Covalent, the Council's Performance & Risk software, and is attached as Appendix B. Updates on progress on actions will be reported to this Committee twice in the year at the September and March meetings.

5. UPDATE ON THE ACTION PLAN ARISING FROM THE 2009/10 AGS

- 5.1 At the February meeting of the Audit & Risk Committee it was noted that only four actions that may remain incomplete by the 31st March. An update on each of these is provided in the following sections of this report (5.2 to 5.4).

- 5.2 **AGS 004** It was anticipated that a programme of service reviews would be taken to the June 2011 of the Finance & Performance Sub Committee. Due to the current requirement to make significant savings, all services are constantly reviewed and various alternative ways of service delivery are being considered throughout the Council. In view of this, and the reduced level of resources available to carry out these reviews it is not anticipated that a report will be taken to Overview & Scrutiny.
- 5.3 **AGS 010.003.** At the February meeting Members queried whether this action had been completed. The Head of IT and Customer Services has confirmed that at the time of the meeting he had considered that an automatic solution to the deletion of electronic records could be purchased in 2011/12. This will not now happen and the Council remains reliant on a manual process to delete electronic records as is currently the case for hard copy documents. The options relating to the electronic retention of documents have therefore been considered but no technical solution will be purchased. This action is therefore complete.
- 5.4 **AGS 017.001** The Financial Regulations have now been updated in draft and will be submitted to the next meeting of this Committee.
- 5.5 **UOR 003.001** All contract notices are now being placed through the e-tendering system. The right contract to be completely tendered through the system is however still awaited. It is appropriate that this outstanding action is now closed.
- 5.6 There are no residual actions from 2010/11 that need to be included in the 2011/12 action plan.

6. ACTION PLAN ARISING FROM THE 2010/11 AGS

- 6.1 The following actions are summarised in sections (4.9 to 4.12) on the AGS and are detailed below and on the action plan attached as Appendix B:-
- 6.1.1 **AGS 020** These actions will improve the controls surrounding Section 106 agreements and expenditure. (Source: Internal audit report)
- 6.1.2 **AGS 021** These actions will ensure the Council is compliant with best practice for the reimbursement of Member expenses (Source: Internal audit review of Member Expenses)
- 6.1.3 **AGS 022** Following a potential link to a case of legionella and a Council property a number of improvement recommendations were made. The recommendations that remain outstanding are detailed in this action. (Source: Head of Service Assurance Statements)
- 6.15 **AGS 023** To comply with new legislation the Anti-bribery & Corruption policy will be considered by this Committee and to ensure the Council's Gifts and Hospitality policy remains current a review of the document will be undertaken later this year.(Source: Corporate Manager Assurance Statement)

7. LEGAL IMPLICATIONS

- 7.1 The Accounts & Audit (England) Regulations 2011, require the Council to conduct a review at least once in a year of the effectiveness of its system of internal control. This annual review results in the AGS.
- 7.2 This Terms of Reference of this Committee state that it should review the AGS and accompanying assurances before approving it to accompany the statement of accounts.

8. FINANCIAL AND RISK IMPLICATIONS

- 8.1 The AGS is to accompany the statement of accounts. CIPFA recommends that the AGS is drafted by the end of June. By presenting the draft AGS to this Committee before the audit of the accounts is concluded this gives the Committee time to raise any points that may need to be addressed.

9. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS

- 9.1 There are no direct human resource or equalities implications relating to this matter.

10 CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 10.1 The Council's external auditors, Grant Thornton, have been consulted on the draft Annual Governance Statement. The AGS and the resulting action plan have incorporated relevant findings and recommendations from the Annual Audit and Inspection letter for 2009/10 that was discussed at the Audit & Risk Sub Committee in December 2010.

11. RECOMMENDATIONS

It is recommended that members of this Committee:

- 11.1 Critically review the draft AGS and supporting documentation in order for it to be finally approved at the same time as the Statement of Accounts (by September 2011);
- 11.2 Agree that progress against the action plan will be reported in September 2011 and March 2012.

12. REASONS FOR RECOMMENDATIONS

- 12.1 To offer members of the Committee the opportunity to assess and consider the statement before it is finally approved.
- 12.2 Reviewing the AGS action plan in the year will provide the Committee with assurances that the Council is improving its governance arrangements.

13. ALTERNATIVE OPTIONS CONSIDERED

13.1 There are no alternative options to be considered.

14. APPENDICES

14.1 Appendix A –AGS for 2010/11.

14.2 Appendix B – action plan arising from AGS for 2010/11 to be implemented in 2011/12

14.3 Appendix C – Assurance Statement from the Chair of the Audit & Risk Committee

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16. BACKGROUND PAPERS

16.1 Heads of Service and Corporate Manager's Assurance Statements