

STATEMENT ON GOVERNANCE ARRANGEMENTS FOR THE YEAR ENDED 31ST MARCH 2011

AUDIT & RISK COMMITTEE

The Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards and practices, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council 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 responsibility, Members and managers are responsible for putting in place proper arrangements for the governance of its affairs and for facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Following the Constitutional Review for 2010/11, the Audit and Risk Sub Committee was redesignated the Audit and Risk Committee. The primary purpose of the Audit & Risk Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. Additionally, the Committee seeks to provide independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The annual review of the Constitution in 2011, has proposed the Committee incorporates the Finance work undertaken by the Finance & Performance Sub Committee. The Committee will become the Finance, Audit and Risk Committee in the 2011/12 Civic Year.

The risk management process identifies the Council's principal risks and the existing arrangements in place to manage them. It also oversees the implementation of actions to further improve controls and further reduce risks and enables the monitoring of controls.

The system of control is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the aims and objectives of policies and can, therefore, only provide reasonable and not absolute assurance of effectiveness.

There are six core principles in the Council's Local Code of Corporate Governance. As Chair of the Audit & Risk Committee I have reviewed the governance arrangements that were in place for the Committee during 2010/11 against each of the principles and my findings are detailed below.

1. **The purpose of NHDC, outcomes for the community, creation and implementation of a vision for the local area.**

1.1 **Statutory Obligations**

The Audit & Risk Committee satisfies the fundamental requirements of an Audit Committee as defined by CIPFA. This will continue under the new Finance, Audit & Risk Committee.

During the year the Committee received reports from suitably qualified and experienced officers, regulated by professional institutes where appropriate. These officers were and continue to be able to interpret and report issues relevant to the Committee as a result of changed or new legislation.

The Committee ensured that effective action was taken where areas of non-compliance were found in either mechanism or legislation and monitors for continued compliance.

1.2 Effective corporate governance arrangements are embedded

The Committee monitored the implementation of the actions arising from the 2009-10 Annual Governance Statement (AGS). I am satisfied that the Council prioritised the actions arising from the 2009-10 AGS throughout 2010-11. Where actions have rolled forward into 2011-12, I am assured that this does not have a significant impact on the effectiveness of the Council's governance arrangements.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

Throughout the financial year both Members of the Committee and its key officers adhered to the Member / Officer Protocol.

There was a constructive working relationship between Members, officers and our external auditors.

Training, which is vital to Members, was provided to facilitate understanding of both the role of Members and that of the services that report to the Audit & Risk Committee.

3. Promotion of values for the Council and the demonstration of good governance through upholding high standards of conduct and behaviour.

The standards of behaviour outlined in the Member Code of Conduct including the Officer / Member Protocol were adhered to by members of the Committee.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

I am satisfied that the Committee continued to provide robust scrutiny and challenge and detailed consideration of audit issues throughout 2010-11. The Committee reviewed the management of the top level risks facing the Council at each meeting and sought assurances on the management of the risks arising from the Localism Bill and from Shared service arrangements.

In 2010/11 the Accountancy Manager attended the Committee on a regular basis. The Committee had the opportunity to review and comment on both the un-audited and Final Statement of Accounts for 2009/10 prior to them being signed by me as Chairman. Progress on restating these accounts to be compliant with the new Local Authority accounting code of practice was reported to the February meeting of the Committee.

5. Developed the capacity and capability of members and officers to be effective

The review of the effectiveness of the Audit & Risk Sub Committee identified the need for Members to be provided with on-going training of a both internal and external nature. In 2010-11 training on risk management and internal audit was provided to Members who wished to develop their understanding of these key areas of responsibility. In addition, the Council's external auditors, Grant Thornton gave a presentation to the Committee on the roles and responsibilities of the external auditor.

6 Engaging with local people and other stakeholders to ensure robust public accountability

The Committee is a decision making body and meetings are advertised to the public via the internet. Reports to this Committee are made available to the public on the Council's website.

7 Review of effectiveness

The Council undertakes at least an annual review of the effectiveness of its corporate governance framework including the system of internal control. The following sections highlight the specific work on internal control that the Committee considered during 2010-11.

7.1 The identification and management of strategic and operational risk

The Committee received regular quarterly updates on the Council's Top Risks throughout 2010-11. Where these made recommendations to Cabinet, the Committee received the reports and determined the recommendations.

The annual risk management report for 2009-10 was presented to the full Council meeting in September 2010 by the Portfolio Holder for Finance.

As the former Chairman of PARC, my annual report for 2009/10 covered the work of the Audit & Risk Sub –Committee.

The Risk & Opportunities Management Strategy and Policy are reviewed annually to ensure that they remain relevant. The most recent review was undertaken in December 2010. This Committee referred these documents to Cabinet.

7.2. System of internal control

I take assurance from the internal audit reports submitted to the Committee that there have been no major breaches of the Council's Financial Regulations or the Contract Procurement Rules. I note that the significance of these regulations is reinforced by the fact that all breaches are recorded in audit reports and are assessed as high risk recommendations.

A review of the effectiveness of the system of internal audit for 2009-10 was reported to the Committee in June 2010. The review showed that Audit and Consultancy Services was substantially compliant with the requirements of the CIPFA Code of Practice for Internal Audit for the financial year 2009-10. It was agreed that no action plan should be compiled but rather that development time should be spent supporting the Shared Internal Audit Service project (formerly the Internal Audit Pathfinder Initiative). In addition the Council's external auditor (Grant Thornton) have stated that based on their interim work, for 2010-11 they will be able to rely on the work undertaken by Audit and Consultancy Services. The review of effectiveness of internal audit for 2010-11 is to be presented to the first meeting of the Audit and Risk Committee in the 2011-12 civic year. I understand that preliminary work shows that the internal audit function remains substantially compliant with the CIPFA Code of Practice.

The Council's internal audit function will be undertaken by a Shared Internal Audit service (referred to above) hosted by Hertfordshire County Council. The current start date for this is 1st July 2011.

7.3 Appropriate assurance statements are received from designated internal and external assurance providers

APPENDIX C

The following internal audit reviews were reported up to 31 January 2011:-

Audit Assignment	Level of Assurance
Main Accounting System (2009-10)	Substantial to Full
Treasury Management (2009-10)	Substantial to Full
Treasury Management (2010-11)	Substantial to Full
Homelessness	Substantial to Full
Burial Registrations	Substantial to Full
Council Tax (2009-10)	Substantial to Full
Health & Safety	Substantial to Full
Housing and Council Tax Benefits (2010-11)	Substantial to Full
NNDR (2009-10)	Substantial
Payroll (2009-10)	Substantial
Payroll (2010-11)	Substantial
Asset Management & Capital Accounting (2009-10)	Substantial
IT systems access (Council wide)	Substantial
Procurement & Management of IT Equipment	Substantial
Investigations	Substantial
Bookings	Substantial
Income Collection Methods	Substantial
Project Management and Programme Governance	Moderate
Members Allowances	Moderate
Parking Services – Cash Collection Contract	Moderate
Home-working	Moderate
Conflicts of Interest	Moderate
Inward Investment	Moderate
S106 Agreements and Unilateral Undertakings	Moderate

Additionally 11 follow up audits were completed.

The September 2010 internal audit update report highlighted that a number of high risk recommendations had not been completed by Service Managers at the time of the follow-up audit. This matter was discussed at the Committee meeting and it was agreed that Heads of Service/Corporate Managers responsible for the service areas identified should provide me with an update on progress of implementing these recommendations. A general memo was also sent by the Strategic Director of Finance, Policy and Governance to all Heads of Service and Corporate Managers reminding them of the importance of implementing agreed recommendations by the agreed due dates.

It is of particular assurance to note that none of the audits undertaken in the first ten months of the financial year 2010-11 have been given limited or no assurance. The Internal Audit section has performed satisfactorily against the internal audit performance indicators.

The formal annual report from the Audit Manager will be presented to the Committee at its next meeting. This will provide the Committee with an opinion on the overall adequacy and effectiveness of the Council's internal control environment and will detail any issues judged to be relevant for inclusion in the 2010-11 Annual Governance Statement.

The Council's external auditor's, Grant Thornton, have attended all 2010-11 meetings of the Committee and submitted the following reports:

June 2010	Accounts Audit Approach Memorandum
June 2010	Progress report for 2009/10
September 2010	Audit Progress
September 2010	Annual Report to those Charged with Governance
December 2010	NHDC Annual Audit Letter 2009/10
February 2011	Certification work report 2009/10 (Claims)
February 2011	The Audit Plan 2010-11

8 Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance:

My review of the Audit and Risk Committee's work has not identified any significant weaknesses. The following actions will, however, ensure the continuous improvement for the Finance, Audit and Risk Committee in 2011-12.

- Review of the Status/Terms of Reference of the Committee (following the constitutional review)
- Close monitoring of the performance of the new Shared Internal Audit Service
- Induction Programme for any new Members
- Training programme

The Action Plan to support the AGS will be reported to and agreed by the Finance Audit and Risk Committee.

I am satisfied that aside from these minor matters a sound governance arrangements have been in place for the Committee throughout 2010-11 and are ongoing.

Signed.....(Chair of Audit and Risk Committee)

Date.....