

**TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT**

**REPORT OF THE HEAD OF FINANCE, PERFORMANCE & 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 2011/12. This Statement reviews the financial year 2011/12 and the period between 1<sup>st</sup> April and the completion of the Statement of Accounts.
- 1.2 For the Committee to note the improvement actions arising from the Annual Governance Statement for 2011/12 for implementation in 2012/13.

**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 The AGS does not need to be included in the statement of accounts but, once approved, needs to accompany them. The statement is separate from the accounts for the purposes of external audit. The Council will include the 2011/12 AGS as an appendix to the accounts as it did in 2010/11.
- 3.3 The AGS has been compiled as a corporate document and reviewed and agreed by the Senior Management Team
- 3.4 The review of the effectiveness of the assurance framework has included reviews made by external and internal audit as well as the Finance, 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 review of the effectiveness of the Finance, Audit and Risk Committee report presented at his meeting has been considered in the compilation of the AGS.

- 3.5 The Chair of the Finance Audit & Risk Committee prepared an assurance statement on behalf of the Committee and this is attached at Appendix C.
- 3.6 The draft AGS for 2010/11 was approved by the Finance, Audit and Risk Committee at its June 2011 meeting and the Committee monitored the action plan for improvements throughout 2011/12. The final version of the AGS was presented to Council in September with the Statement of Accounts. The Constitution has now been amended in order that the Finance Audit and Risk Committee rather than Full Council will approve the final AGS in September.

#### 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 2011/12 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 actions not already implemented arising from the draft 2011/12 Statement will be recorded on Covalent, the Council's Performance & Risk software. Updates on progress on actions will be reported to this Committee twice in the year at the September and March meetings.

#### 5. ACTION PLAN ARISING FROM THE 2011/12 AGS

- 5.1 The following actions are summarised in sections 4.10 to 4.15 on the AGS and are detailed in Table 1 overleaf:

**Table 1: Draft action plan for improvements to the NHDC governance framework to be implemented in 2012/13**

AGS Section	Action	Due Date	Source
4.10	Produce an overarching guide on information sharing requirements to inform staff, members, partners and contractors of their responsibility for effective data management	<ul style="list-style-type: none"> <li>Currently in draft to be finalised by 30 June</li> </ul>	Internal audit report (Information Sharing)
4.11	Clear documents from <ul style="list-style-type: none"> <li>the Secondary Centre</li> <li>Letchworth Town Hall</li> </ul>	<ul style="list-style-type: none"> <li>31 May</li> <li>Implemented</li> </ul>	Internal Audit report (Secondary Centre Finding)

4.12	Report to Full Council on the standards framework Introduce revised Member Code of Conduct	Implemented • 31 July (may be later if regulations permit)	Assurance Statement
4.13	Revise Officer/Member Protocol	Anticipate same time as Code of Conduct.	Assurance Statement
4.14	SMT agree Procurement Roles & Responsibilities Commence development of informal Shared Procurement service Revise Contract Procurement Rules	Implemented 1 August 2012 30 September 2012	Assurance Statement
4.15	Commence development of governance arrangements for any Shared Support Service (if agreed) Commence development of agreed performance standards for any Shared Support Service (if agreed)	1 August 2012 1 August 2012	Assurance Statement

## 6. LEGAL IMPLICATIONS

- 6.1 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.
- 6.2 The 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.

## 7 FINANCIAL AND RISK IMPLICATIONS

- 7.1 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.

## 8. HUMAN RESOURCE IMPLICATIONS

- 8.1 There are no direct human resource implications relating to this matter.

## **9. EQUALITIES IMPLICATIONS**

- 9.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 9.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 9.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 9.3 This formal annual review of the Council's governance framework provides a means to monitor regularly whether the Council is meeting the stated outcomes of its policies, is meeting its commitment to deliver accessible and appropriate services to the community, and complying with the requirements placed on the Council under the Local Government Equality Duty. Financial decisions and larger projects are subject to individual equality analysis, and as can be seen from the AGS document attached, a recent audit of equalities work has returned a substantial level of assurance in this regard.

## **10. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 10.1 The Council's external auditors and the Shared Internal Audit Service 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 letter for 2010/11 that was discussed at the Finance Audit & Risk Committee in December 2011. In addition the AGS refers to assurances provided by internal audit reports completed in 2011/12.

## **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 2012);
- 11.2 Agree that progress against the action plan will be reported in September 2012 and March 2013.

## **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 2011/12.

14.2 Appendix B – Assurance Statement from the Chairman of the Finance, Audit & Risk Committee

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### **16. BACKGROUND PAPERS**

16.1 Heads of Service and Corporate Manager's Assurance Statements