

STATEMENT ON GOVERNANCE ARRANGEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

FINANCE, 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 2011/12, the Audit and Risk Committee was redesignated the Finance, Audit and Risk Committee to incorporate the finance work undertaken by the former Finance & Performance Sub Committee. The general role of the Committee is to consider audit and internal control matters and to provide effective scrutiny & overview of financial matters.

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 Finance, Audit & Risk Committee I have reviewed the governance arrangements that were in place for the Committee during 2011/12 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 Finance, Audit & Risk Committee satisfies the fundamental requirements of an Audit Committee as defined by CIPFA.

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 2010/11 Annual Governance Statement (AGS). I am satisfied that the Council prioritised the

actions arising from the 2010/11 AGS throughout 2011/12. No actions have rolled forward into 2012/13.

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.

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.

The Committee reviewed the Gifts & Hospitality Policy and recommended this to Cabinet to be endorsed.

The Committee noted the anti-bribery policy that was introduced to ensure the Council was compliant with the Bribery Act 2010.

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 2011/12. The Committee reviewed the management of the top level risks facing the Council through the year and sought assurances on the management of these risks.

The Committee had the opportunity to review and comment on the Final Statement of Accounts for 2010/11 prior to them being signed by me as Chairman. These accounts were compliant with the new Local Authority accounting code of practice.

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

Support has been available to members of the Committee from Officers of the Council, SIAS and Grant Thornton to enable the Committee to confidently discharge its functions.

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

Whilst having regard to the nature/content of its function it is difficult to engage in the wider public arena, 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 2011/12.

7.1 The identification and management of strategic and operational risk

The Committee received regular updates on the Council's Top Risks throughout 2011/12. Where these made recommendations to Cabinet, the Committee received the reports and determined the recommendations.

The annual risk management report for 2010/11 was presented to the full Council meeting in September 2011 by the Portfolio Holder for Finance.

The Risk & Opportunities Management Strategy and Policy are reviewed to ensure they remain relevant. The most recent review was undertaken in December 2011. It was noted that no significant amendments were necessary but that changes will be required in 2012/13 to reflect the new Priorities.

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

A review of the effectiveness of the system of internal audit for 2010/11 was reported to the Committee in June 2011. 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 2010/11. It was agreed not to develop an improvement plan for 2011 - 2012 due to the formation of the Shared Internal Audit Service (SIAS) from 1 June 2011.

In addition, the Council's external auditor (Grant Thornton) concluded in their report to the June Committee meeting that the Internal Audit service continued to provide an independent and satisfactory service to the Council for the period 1 April to 31 May 2011. Grant Thornton took assurance from their work in contributing to an effective internal control environment at the Council. I am satisfied that SIAS makes a positive contribution to the continued effectiveness of the internal control environment. The review of effectiveness of internal audit for 2011-12 is to be presented to the first meeting of the Finance, Audit and Risk Committee in the 2012-13 civic year. This is being undertaken by Grant Thornton on behalf of the partner authorities within SIAS for where they are the external auditor.

Since June 2011, the Council's internal audit function has been provided by the Shared Internal Audit service (referred to above) hosted by Hertfordshire County Council.

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

The following internal audit reviews were reported to the Committee throughout the Civic Year (up to 1 March 2012):

Table1 – SIAS reports and assurance levels up to 1 March 2012

Audit Assignment	Level of Assurance
District Consultancy – Grounds Maintenance Contract	Full
Treasury Management	Substantial
Internet & Email	Substantial
Equalities & Diversity	Substantial
Information Sharing	Limited
Asset Management (b/f from 2010/11)	Substantial
Community Safety Partnership	Substantial
Copyright Act - Software Licensing	Substantial
Externalisation of Document Management	Substantial
Grants to Voluntary & Community Groups and Individuals	Substantial
Home Improvement Grants	Substantial
Land Charges	Substantial
Leisure Management Contract	Substantial
Members Interests	Substantial
NNDR (B/F 2010/11)	Substantial
Consultants	Moderate

The Shared Internal Audit Service has performed satisfactorily against the internal audit performance indicators.

The formal annual report from the SIAS Head of Assurance 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 based on work undertaken by the SIAS and will detail any issues judged to be relevant for inclusion in the 2011-12 Annual Governance Statement.

The Council's external auditor's, Grant Thornton, have attended 2011-12 meetings of the Committee and submitted the following reports:

June 2011	Accounts Audit Approach Memorandum
September 2011	Annual Report to those Charged with Governance
December 2011	Financial Resilience
December 2011	NHDC Annual Audit Letter 2010/11
January 2012	Certification work report 2010/11 (Claims)
January 2012	The Audit Plan 2011-12

7.4 Ensuring the Council delivers cost effective services

The Committee considered reports on the Council's use of Consultants and the Cost of Democracy. This enabled the Committee have more understanding of the costs in these areas and therefore ensure value for money for the residents and stakeholders in North Hertfordshire.

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

My review of the Finance, Audit and Risk Committee's work has not identified any significant weaknesses. The following actions will, however, ensure continuous improvement for the Committee in 2012-13.

- 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 sound governance arrangements have been in place for the Committee throughout 2011-12 and are ongoing.

Signed..... (Chairman of Finance, Audit and Risk Committee)

Date.....