

**FINANCE, AUDIT AND RISK COMMITTEE**  
**20 September 2012**

**\*PART 1 – PUBLIC DOCUMENT**

**AGENDA ITEM No.**

**7**

**TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT AND PROGRESS AGAINST ACTION PLAN**

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 final 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 progress against 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. It has been reviewed and commented on by the Shared Internal Audit Service and the Council's external auditors.
- 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 the June 2012 meeting have been considered when compiling the AGS.
- 3.5 The draft AGS for 2011/12 was reviewed by the Finance, Audit and Risk Committee at its June 2012 meeting. Following the Committee's input, reference has been made to the role of Cabinet and Portfolio Holders (section 3.2.10) and the definitions of assurance levels used by the Shared Internal Audit Service (SIAS) has been included (section 3.2.13).
- 3.6 The Constitution has been amended in order that the Finance Audit and Risk Committee rather than Full Council have the authority to approve the final AGS.

#### **4. ISSUES**

- 4.1 The final AGS for 2011/12 is attached as Appendix A for review before it is finally approved. The AGS has been reviewed by the Council's external auditors and will be commented on in their Annual Report to those Charged with Governance that will also be presented at this meeting of the Committee.
- 4.2 An update on progress on improvement actions identified through the consideration of the AGS are provided in the following paragraphs and again at the March meeting of this Committee.

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

- 5.1 No additional action have been added since those agreed at the June meeting of the Committee. The actions that are summarised in sections 4.10 to 4.15 on the AGS are detailed in Table 1.

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

<b>AGS Section</b>	<b>Action</b>	<b>Due Date</b>	<b>Source</b>
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>implemented</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>implemented</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 Implemented	Assurance Statement
4.13	Revise Officer/Member Protocol	Revised date – Overview & Scrutiny December 2012	Assurance Statement
4.14	SMT agree Procurement Roles & Responsibilities Commence development of informal Shared Procurement service  Revise Contract Procurement Rules	Implemented 1 August 2012(revised date November) 30 September 2012 (revised date December)	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 (revised date November ) 1 August 2012 (revised date November)	Assurance Statement

## 6.0 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 and it therefore needs to be approved at this Committee meeting.

## 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 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 and external audit reports completed in 2011/12.

## **11. RECOMMENDATIONS**

It is recommended that members of this Committee:

- 11.1 Critically review the AGS and recommend it to the Chief Executive and Leader of the Council for signature.
- 11.2 Agree that progress against the action plan will be reported again in 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.

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### **16 BACKGROUND PAPERS**

16.1 Heads of Service and Corporate Manager's Assurance Statements