

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.

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 2012/13 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 2011/12 Annual Governance Statement (AGS). I am satisfied that the Council prioritised the actions arising from the 2011/12 AGS throughout 2012/13. One action has rolled forward into 2013/14 and this is the agreement of new Contract Procurement Rules.

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.

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 2012/13. 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 2011/12 prior to them being signed by me as Chairman. These accounts were compliant with the 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, Shared Internal Audit Service 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 2012/13.

7.1 The identification and management of strategic and operational risk

The Committee received regular updates on the Council's Top Risks throughout 2012/13. Where these made recommendations to Cabinet, the Committee received the reports and determined the recommendations.

The annual risk management report for 2011/12 was presented to the full Council meeting in July 2012 by the Portfolio Holder for Finance and IT.

The Risk & Opportunities Management Strategy and Policy are reviewed to ensure they remain relevant. The most recent review was undertaken in December 2012.

7.2. System of internal control

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.

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 2011/12 was reported to the Committee in June 2012. A peer review methodology was used in this review, with the Director of Veritau (a local authority internal audit company owned by North Yorkshire County Council and York City Council) acting as lead assessor and the Transformation Manager from Hertfordshire County Council acting as support assessor. The review showed that SIAS was compliant with the requirements of the CIPFA Code of Practice for Internal Audit for the financial year 2011/12.

In addition, the Council's external auditor (Grant Thornton) concluded in their report to the June Committee meeting that the review to date of the Internal Audit function against the 2006 CIPFA Internal Audit Standards and now operating as Shared Internal Audit Services confirmed that the service contributed positively to the internal control environment and overall governance arrangements at NHDC.

I am satisfied that SIAS makes a positive contribution to the continued effectiveness of the internal control environment. The review of effectiveness of the Shared Internal Audit service for 2012-13 is to be presented to the first meeting of the Finance, Audit and Risk Committee in the 2013-14 civic year.

The Committee considered recruiting an independent member for the Finance Audit and Risk Committee but after due consideration it was agreed not to pursue this.

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 2013):

Table1 – SIAS reports and assurance levels up to 1 March 2013

Audit Assignment	Level of Assurance
Performance Management	Substantial
Learning & Development	Substantial
Careline	Full
Utilities	Substantial
Housing Strategy	Moderate
Fees & Charges	Full
Authorisations & Delegations	Moderate
Long-term absence management	Substantial

APPENDIX B

Tree maintenance	Substantial
Debt recovery	Substantial
Procurement Baseline Assessment	Substantial
Mrs Howard Gardens	Moderate
Financial Regulations Benchmarking	Not assessed
Freedom of Information	Full
IT Penetration Testing	Substantial
Council Tax	Substantial
NNDR	Substantial
IT Helpdesk	Substantial

The Committee raised concerns that a high level recommendation arising from an audit on software asset had not been implemented in a timely manner. This was referred to Cabinet in order to ensure resources were directed to completing the agreed recommendation as quickly as possible.

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 the June 2013 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 2012-13 Annual Governance Statement.

The Council's external auditor's, Grant Thornton, have attended 2012-13 meetings of the Committee and submitted the following reports:

June 2012	Accounts Audit Approach Memorandum
September 2012	Annual Report to those Charged with Governance
December 2012	Financial Resilience
January 2013	NHDC Annual Audit Letter at 31 March 2012
March 2013	The annual Audit Plan for the year ended 31 March 2013

7.4 Ensuring the Council delivers cost effective services

The Committee considered Revenue, Capital and Treasury Management reports through the civic year. This enabled the Committee to monitor budget targets, ensure the capital programme was funded and delivered and ensured the Council manages its exposure to interest and capital risk. This role of the Committee ensures 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 2013-14.

- 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.

APPENDIX B

I am satisfied that aside from these minor matters sound governance arrangements have been in place for the Committee throughout 2012-13 and are ongoing.

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

Date.....