

## **APPENDIX B**

### **STATEMENT ON GOVERNANCE ARRANGEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2014**

#### **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 and proportionate 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 Chairman of the Finance, Audit & Risk Committee I have reviewed the governance arrangements that were in place for the Committee during 2013/14 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 2012/13 Annual Governance Statement (AGS). I am satisfied that the Council prioritised the actions arising from the 2012/13 AGS throughout 2013/14. All actions were completed.

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

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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 internal and 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.

In March, the Committee acted as consultee on the Confidential Reporting Policy review to ensure continued good governance within the Council.

### **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 2013/14. 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 2012/13 prior to them being signed by me as Chairman. These accounts were compliant with the Local Authority accounting code of practice.

The Committee requested reports on a number of issues during the year, which were duly provided and debated. Any actions arising were communicated to the appropriate Officer.

### **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. The Committee received a briefing session at its meeting in March on the internal audit procedure used at NHDC by SIAS.

### **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 actively in the wider public arena. The purpose of the Committee is to consider finance, audit and internal control matters and to provide effective scrutiny of financial matters. 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 2013/14.

#### **7.1 The identification and management of strategic and operational risk**

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. The Committee received reports on the Council's Top Risks throughout 2013/14 before determining [them as recommendations to Cabinet](#)  
The annual risk management report for 2012/13 was presented to the full Council meeting in July 2013 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 2013.

### 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.

In June 2013, the Committee agreed to adopt the Public Sector Internal Audit Standard and the SIAS Audit Charter. These Standards promote further improvement in the professionalism, quality and effectiveness of internal audit across the public sector. The Standards reaffirm the importance of robust, independent and objective internal audit arrangements that provide this Committee with the key assurances required to produce the Annual Governance Statement.

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 2013-14 is to be presented to the first meeting of the Finance, Audit and Risk Committee in the 2014-15 civic year.

### 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 2014):

**Table1 – SIAS reports and assurance levels up to 1 March 2014**

<b>Audit Assignment</b>	<b>Level of Assurance</b>
Creditors	Substantial
Debtors	Substantial
Treasury management	Substantial
Increasing Financial Hardship	Full
Common Housing Allocation Scheme	Substantial
Partnerships/Community Partnerships	Substantial
Cash Receipting System	Substantial
Parking Strategy	Consultancy
Consultation for Local Development Plan Framework	Substantial
Home Improvement Grants	Consultancy
VFM reviews	Consultancy
Delta E-tendering	Consultancy
Assets of Community Value	Moderate
Green Spaces Strategy	Substantial
Safe Staffing	Substantial
Open Data	Substantial

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Area Committee Grants	Substantial
Council Tax Amendments	Full

In addition to the above, the Committee requested that an audit was undertaken on Parking Enforcement. This provided a substantial level of assurance.

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 2014 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 2013-14 Annual Governance Statement.

The Council's external auditors, Grant Thornton, have attended 2013-14 meetings of the Committee and submitted the following reports:

September 2013	Annual Report to those Charged with Governance
December 2013	NHDC Annual Audit Letter 2012 -13
January 2014	Grant Certification Report
March 2014	The Audit Plan of 13/14

### 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.

The Council received requested reports on the following to ensure that the Council delivers cost effective services:

- Debt Recovery Processes
- Lending to Housing Associations
- External costs incurred by NHDC during the Churchgate project
- Shared Services – costs and savings with the halted joint project with Stevenage Borough and East Herts Councils.
- Invest to Save – the Hitchin Swim Centre development and extension to the car park.
- Parking and the use of income derived from this service area.

This role of the Committee assists in ensuring 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 2014/15.

- 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.

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I am satisfied that aside from these minor matters sound governance arrangements have been in place for the Committee throughout 2013-14 and are ongoing.

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

Date.....