

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2013-2014

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT

1. SUMMARY

- 1.1 For the Finance, Audit and Risk Committee to approve the final Annual Governance Statement (AGS) for the year 2013/14. This Statement reviews the financial year 2013/14 and the period between 1st 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 2013/14 for implementation in 2014/15.

2. RECOMMENDATIONS

It is recommended that members of this Committee:

- 2.1 Approve the final AGS for it to be included within the Statement of Accounts;
- 2.2 Note the progress against the action plan.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The final version of the AGS is to be appended to the Statement of Accounts for 2013/14.
- 3.2 Reviewing the AGS action plan in the year will provide the Committee with assurances that the Council is improving its governance arrangements.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered.

5. FORWARD PLAN

- 5.1 This report does not cover a recommendation on a key decision and has not been referred to in the Forward Plan.

6. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 6.1 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 the year ended March 2013 that was discussed at the Finance Audit & Risk Committee in December 2013. In addition the AGS refers to assurances provided by internal audit reports completed in 2013/14.

7. BACKGROUND

- 7.1 The Accounts & Audit (England) Regulations 2011, Regulation 4 (3), require the Council to prepare an annual governance statement. The findings of this review of the governance framework must be considered by a Committee. Following the review, the Committee must approve an annual governance statement which is a public report on the extent to which the Council complies with its own code of governance. This includes details of how the effectiveness of the governance arrangements in the year have been monitored and evaluated. It identifies any planned changes in the coming year.
- 7.2 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 2013/14 AGS will be included as an appendix to the accounts as it did in 2012/13.
- 7.3 The AGS has been compiled as a corporate document and reviewed and agreed by the Senior Management Team. The final document has been signed by the Chief Executive and Leader of the Council.
- 7.4 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. The annual Internal Audit report presented at the June meeting and the review of the effectiveness of the Finance, Audit and Risk Committee report to be presented at this meeting have been considered in the compilation of the final AGS.
- 7.5 The draft AGS for 2013/14 was commented on by the Finance, Audit and Risk Committee at its June 2014 meeting and the recommended changes have been incorporated in the final version

8. ISSUES

- 8.1 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.
- 8.2 The final AGS for 2013/14 is attached as Appendix A for approval. 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 this September meeting of this Committee.

8.3 Updates on progress on actions will be reported to this Committee again at the March 2015 meeting.

9. ACTION PLAN ARISING FROM THE 2013/14 AGS

9.1 The following improvement actions in Table 1 (apart from those in items 5.1 to 5.3) were reported to the June meeting of this Committee. Aside from item 3.0 (identified from risk register entries and assurance statements), these have arisen as high level recommendations from internal audit reports. The actions 5.1 to 5.3 have been amended following the issue of the final internal audit report on Serco Payroll BACS Controls The following table provides an update on the actions:

Table 1: Actions arising from the draft AGS 2013/14 for implementation in 2014/15

Ref No.	Description	Responsible Officer	Due date
1.0	IT Disaster Recovery There is a full comparison of the NHDC Business Continuity Plan alongside the current IT Disaster Recovery capabilities to ensure the same expectations/realities are reflected in both so that the true business service risks are clearly understood by all parties in the event of an incident occurring.	ICT Manager and Emergency Planning Officer	June 2014 Completed
2.0	Document Retention A formal plan is defined and agreed with clear ownership, specified actions and appropriate deadlines so that, immediately after the implementation of the Retention and Destruction Module, all personal data in the I@W system that are no longer required are identified and deleted together with information that exceeds the timescales in the corporate Retention Schedule.	ICT Manager	September 2014
3.0	Member Training A review of learning and development for Members will be completed to ensure all Members, particularly new Members will be aware of the standards expected of them and their responsibility for any Committees or roles to which they are appointed. This will be supported by guidance for Members appointed to outside bodies	Chief Executive, Monitoring Officer, Democratic Services Manager and Learning & Development Manager	July 2014

4.0	<p>BACS Processing Investigate the possibility of output files from source systems being produced as 'read only' to prevent fraudulent re-routing of funds.</p> <p>As an interim measure invoke spot checks of payment amounts above an agreed threshold.</p>	Payments Manager	July 2014 (revised date August 2014)
5.1	<p>Payroll A month-on month variance analysis should take place between the March 2014 payment data produced by the previous Trent system and the April 2014 data produced by the SAP system. Variances should be investigated as appropriate.</p>	Corporate Manager HR	Completed
5.2	The forms and policies drafted by the Serco Service Delivery Manager should be subject to agreement by Serco and the Council. A clear process for submission of the forms should be agreed and documented by the Council	Corporate Manager HR	Completed
5.3	The Council should request an annual ISAE 3402 assurance report on controls at a third party service organisation from Serco to obtain assurance that the controls over the BACS payroll system are operational and effective. This should include assurance over the changes made to the payroll system, as well as the segregation of duties maintained at Serco.	Corporate Manager HR	Completed

10. LEGAL IMPLICATIONS

- 10.1 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.
- 10.2 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.

11. FINANCIAL IMPLICATIONS

- 11.1 The AGS is to accompany the statement of accounts. Other than this there are no financial implications arising from this report.

12. RISK IMPLICATIONS

- 12.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and improvement actions put in place. This ensures the risk of failing to have adequate governance arrangements is well managed.

13. EQUALITIES IMPLICATIONS

- 13.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 13.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 13.2 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.
- 13.3 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.

14. SOCIAL VALUE IMPLICATIONS

- 14.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 13.

15. HUMAN RESOURCE IMPLICATIONS

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

16 APPENDICES

- 16.1 Appendix A – Final AGS for 2013/14.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 Heads of Service and Corporate Manager's Assurance Statements.

18.2 *Delivering Good Governance in Local Government: Framework. Addendum December 2012* The Chartered Institute of Public Finance and Accountancy