

**TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16**

## REPORT OF THE SENIOR LAWYER

**1. SUMMARY**

- 1.1 For the Finance, Audit and Risk Committee to review the draft Annual Governance Statement (AGS) for the year 2015/16.
- 1.2 For the Committee to note the proposed actions arising from the AGS for implementation in 2016/17.

**2. RECOMMENDATIONS**

It is recommended that Members of this Committee:

- 2.1 Critically review and comment on the draft AGS and Chairman's Assurance Statement in order for it to be finalised and approved (in September 2016); and
- 2.2 Note the actions that the authority plans to take in section 3, table 2 and section 4 of the AGS to further enhance NHDC's governance arrangements.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To offer Members of the Committee the opportunity to assess and comment on the AGS before it is finalised.
- 3.2 Reviewing the AGS' proposed actions during 2016/17 will provide the Committee with assurances that NHDC is examining and where necessary 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 (Ernst & Young) and the Shared Internal Audit Service ('SIAS') have been sent the draft AGS. The AGS takes into account the Annual Audit letter/ relevant findings for the year ended March 2015 that was discussed at the Committee on 10 December 2015. In addition the AGS refers to assurances provided by internal audit reports completed in 2015/16.

## **7. BACKGROUND**

- 7.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) requires NHDC as a relevant authority to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS. This must be considered by Members of the Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts in accordance with Regulation 9(2)(b). The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.
- 7.3 The AGS has been compiled as a corporate document. There is consultation with the Shared Internal Audit Service Manager and external auditors (Ernst & Young) and it is reviewed by the Senior Management Team prior to this being presented to the Committee.
- 7.4 The annual review of the effectiveness of the assurance framework includes the reviews undertaken by external auditors and SIAS. The annual SIAS report which will be presented at the June 2016 meeting and the review of the effectiveness of the Finance, Audit and Risk Committee report (to be presented in September) will be considered as part of the final AGS. The AGS also takes into account the reviews and decisions undertaken by Council, Cabinet or Committees in relation to relevant Policies and procedures. Furthermore, each Head of Service/Corporate Manager has completed an assurance statement that includes a review of their service risks and risk management practices. These have been considered and relevant issues included in the AGS and / or as proposed actions for 2016/17.
- 7.5 The Chairman of the Committee for the period April 2015 to March 2016 prepared a (draft) Assurance Statement on behalf of the Committee and this is attached at Appendix B. This will be finalised post Committee and accompany the final AGS for approval in September. The final approved AGS will then be signed by the Leader and Chief Executive and proposed actions monitored by the Committee throughout 2016/17.
- 7.6 Note that the AGS does not need to be included in the Statement of Accounts, however, once approved, it should accompany them. The Council will include the 2015/16 AGS as an Appendix to the Statement of Accounts as it did in 2014/15. Members will be aware that for year 2015/16 the Statement of Account approval date is September 2016. However, under the new LAAA 2014/ AAR 2015 (Regulations 9(2)(b) and 10(1) AAR 2015) framework the timetable for approval and publishing of the Statement of Accounts (and therefore AGS *for the financial year beginning 2017* onwards) with a Regulation 8 narrative Statement, will become *31 July*.

## **8. ISSUES**

- 8.1 The arrangement of considering the SIAS reviews and 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 draft AGS for 2015/16 is attached as Appendix A for review and comment.

8.3 Updates on the progress of actions will be reported to this Committee twice in the year at the September and March meetings.

## **9. PLANNED ACTION ARISING FROM THE 2015/16 AGS**

9.1 The actions in Sections 3 (Table 2 third paragraph) and 4 of the AGS arise from the review of effectiveness that is summarised in the AGS.

## **10. LEGAL IMPLICATIONS**

10.1 The legal implications are set out under section 7 above.

10.2 The Terms of Reference of this Committee under 10.1.5(h) are: *“To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.”* This review of the draft AGS therefore falls within the Committee’s remit.

## **11. FINANCIAL IMPLICATIONS**

11.1 The final AGS is to be approved and accompany the Statement of Accounts. By presenting the draft AGS to this Committee before the audit of the accounts is concluded, the Committee has time to raise any points that may need to be addressed. 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.

## **13. EQUALITIES IMPLICATIONS**

13.1 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 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 –Draft AGS for 2015/16.
- 16.2 Appendix B – Draft Assurance Statement from the Chairman of the Finance, Audit & Risk Committee.

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## **18. BACKGROUND PAPERS**

- 18.1 Heads of Service and Corporate Manager's Assurance Statements. Council, Cabinet and Committee reports 2015/16.
- 18.2 *Delivering Good Governance in Local Government: Framework. Addendum December 2012* The Chartered Institute of Public Finance and Accountancy.