

## **STATEMENT ON GOVERNANCE ARRANGEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

### **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 according to the principles of “best value”. 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 2015/16 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 the Chartered Institute of Public Finance and Accountancy (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, regulation and guidance.

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 2014/15 Annual Governance Statement (AGS). I am satisfied that the Council prioritised the actions arising from the 2014/15 AGS throughout 2015/16.

The majority of actions were completed save for actions relating to the North Hertfordshire Museum and Community Facility and implementation of some of the agreed recommendations from the external review of our procurement and commissioning activities which were completed so far as were possible. The reasons for the former are set out in paragraph 4.9 of the AGS and the latter were due to staffing changes.

**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 overall between Members, officers and our internal and external auditors (Grant Thornton/Ernst & Young).

**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 Member /Member Protocol were adhered to by members of this Committee.

In September 2015 the Committee reviewed new Guidance on Managing Organisational Conflict in Council Roles and Duties and in March 2016, reviewed the Anti-Bribery and Whistleblowing policies 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. The Committee provided detailed consideration of audit issues and reviewed/ sought assurance of the management of the top level risks facing the Council through 2015/16.

The Committee had the opportunity to review and comment on the Final Statement of Accounts for 2014/15 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, the Shared Internal Audit Service ('SIAS'), Grant Thornton and (from January 2016) Ernst & Young. This enabled 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 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 but there is virtually no public presence at meetings. 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 2015/16.

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

The Committee received reports on the Council's Top Risks throughout 2015/16 before determining them as recommendations to Cabinet

The annual risk management report for 2014/15 was presented to the full Council meeting in July 2015 by the Executive Member 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 2015; although following the review of the top risks in March 2016, the Committee recommended that one of the top risks (Churchgate and Surrounding Area) be deleted as a Top Cabinet risk.

### 7.2. System of internal control

Since July 2011, the Council's internal audit function has been provided by SIAS 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 both the Public Sector Internal Audit Standards ('PSIAS') and the SIAS Audit Charter. These Standards promote further improvement in the professionalism, quality and effectiveness of internal audit across the public sector. An update to the Charter was brought to the Committee in June 2015 with an assessment of SIAS's conformance against the PSIAS standards for 2014/15. The Standards reaffirm the importance of robust, independent and objective internal audit arrangements that provide this Committee with the key assurances required to approve the AGS.

I am satisfied that SIAS makes a positive contribution to the continued effectiveness of the internal control environment. As part of the SIAS Annual Report referred to in 7.3 (below) results of the review of effectiveness of SIAS for 2015-16 will be presented to the first meeting of the Finance, Audit and Risk Committee in the 2016-17 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:

**Table1 – SIAS reports and assurance levels up to 2015/ 2016**

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Creditors	December	Full	None
Main Accounting	January	Full	None

Treasury Management	November	Substantial	2 Findings (self-assessment report)
Payroll	February	Substantial	3 Medium, 1 Merits Attention
Elections Payroll	December	Substantial	2 Medium, 2 Merits Attention
Debtors	December	Full	None
Council Tax	February	Substantial	3 Medium, 3 Merits Attention
Benefits & Rent Allowances	January	Full	None
Ongoing Financial viability of contractors	November	Moderate	3 Medium, 1 Merits Attention.
Community Halls & Centres	February	Moderate	1 High, 1 Medium
Social Media	August	Substantial	1 Medium, 1 Merits Attention.
Insurance	June	Substantial	1 Merits Attention.
S106 payments	August	Substantial	2 Medium, 1 Merits Attention.
Neighbourhood Plans	March	Substantial	1 Medium, 5 Merits Attention.
Procurement Cards	July	Substantial	2 Merits Attention.
Non Domestic Rates	March	Substantial	2 Medium, 1 Merits Attention
Careline	April	Substantial	1 Medium, 2 Merits Attention
Use of Agency Staff	April	Substantial	2 Medium, 1 Merits Attention
Cemeteries	May	Substantial	1 Medium, 1 Merits Attention
Profit Share Arrangements	May	Full	None
Officer & Member Expenses	May	Substantial	3 Medium
DCO Refurbishment Project	May	Substantial	2 Medium, 2 Merits Attention

The SIAS has performed satisfactorily against the internal audit performance indicators, which were met for 2015/16.

During 2015/16, the Council used consultancy time to commission a review of the accounts for the King George's Field Trust, confirm compliance with the requirements of the Repair & Renew Grant and benefit from the Shared Learning arrangements established by SIAS. As per the audit process, any issues identified are brought to management's attention with recommendations made to improve control in the future. No specific level of assurance is, or will be, provided under this mechanism.

The formal annual report from the SIAS Head of Assurance will be presented to the Committee at the June 2016 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 2015-16 Annual Governance Statement.

The Council's external auditors, Grant Thornton and latterly Ernst & Young as of January 2016, have attended 2015-16 meetings of the Committee and submitted the following reports:

June 2015	Audit Committee Update for 14/15
September 2015	NHDC Audit Findings Report 2014/15
December 2015	NHDC Annual Audit Letter and Certification Letter 2014 -15
January 2016	External Audit Update
March 2016	Audit Plan year ending 31 March 2016

**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 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 2016/17.

- 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.

I am satisfied that aside from these minor matters sound governance arrangements have been in place for the Committee throughout 2015-16 and are ongoing.

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

Date.....