

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2015/16

REPORT OF THE SENIOR LAWYER

1. SUMMARY

- 1.1 For the Finance, Audit and Risk Committee to approve the Annual Governance Statement (AGS) for the year 2015/16. This Statement reviews the financial year 2015/16 and the period between 1st April and the completion of the Statement of Accounts.
- 1.2 For the Committee to note the proposed actions arising from the AGS for implementation in 2016/17 and any updates since the draft was brought to Committee in June 2016.

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; and
- 2.2 Note the progress to date against the proposed actions (arising from section 3, table 2 and section 4 of the AGS).
- 2.3 Note the cumulative Equality Impact Assessment (EIA) at Appendix C¹.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The AGS must be considered by Members of the Committee and approved under Regulation 6(4)(a) of the Accounts and Audit Regulations 2015/234, before the Statement of Accounts.
- 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.

¹ Included following FAR resolution of 13 June 2016. See 13.4 below reasoning for inclusion.

6. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 6.1 The Council's external auditors (Ernst & Young) and the Shared Internal Audit Service ('SIAS') were sent the draft AGS. Comments and amendments were considered and incorporated as appropriate. The AGS takes into account the Annual Audit letter/relevant findings for the year ending March 2015² that was discussed at Committee on 10 December 2015³ and any issues raised by auditors in relation to the closure of the accounts⁴. The draft AGS was also brought to the Committee on 13 June 2016 for consideration (and any further comments to be made by Members by 31 July).

7. BACKGROUND

- 7.1 Reference is made to the 13 June 2016 report on the draft AGS, which sets out the legal requirements for preparation, review and approval of the AGS, together the matters included/ and parties involved in that process (link below at 18.3). As indicated 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 (Regulation 9(2)(b)). The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.
- 7.2 The Chairman of the Committee for the period April 2015 to March 2016 has signed an Assurance Statement on behalf of the Committee and this is attached at Appendix B. The final approved AGS (signed by the Leader and Chief Executive) will be included with the Statement of Accounts as an appendix once approved by this Committee.
- 7.3 Proposed actions in the AGS will be monitored by the Committee throughout 2016/17.

8. ISSUES

- 8.1 The preparation of the AGS provides the Council with an opportunity to review the robustness of its governance and internal control arrangements. It provides a summarised representation of the arrangements that have been in place throughout the year and highlights area where governance can be further reinforced.
- 8.2 The AGS for 2015/16 is attached as Appendix A for a final review and approval.
- 8.3 Appended at B is the Chairman's Assurance statement. Note that this includes SIAS audits reported to Committee (at 7.3). A further SIAS audit on safer staffing is due to be reported to Committee and this has a limited assurance. There will be actions arising out of this audit, which will be picked up through the Committee reporting process.
- 8.4 Updates on the progress of actions are included below and shall be reported again to this Committee in March 2017.

9. PLANNED ACTION ARISING FROM THE 2015/16 AGS

- 9.1 The actions in Sections 3 (Table 2 third paragraph) of the AGS are detailed below. Section 4 of the AGS includes an up-dated narrative on issues; both are as compared with the draft AGS presented in June:

² <http://web.north-herts.gov.uk/aksnherts/images/att10233.pdf>

³ <http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmte=FAR&meet=24&arc=71>

⁴ Ernst & Young Audit Results Report 2 September 2016 "anticipate issuing an unqualified opinion on the Authority's financial statements" - Executive Summary.

Action area identified	Lead Officer	Proposed action update
Principle 1:		
Council's performance management system shall be considered during 2016/17 by Overview & Scrutiny (O&S) Committee and Cabinet.	Head of Finance, Performance & Asset Management	A Task and Finish group on Performance Indicators and Projects was held on 19 July 2016. This resulted in O&S recommendations to Cabinet ⁵ . Three of these were agreed (4-6). ⁶ The remaining are subject to further discussion between the Executive Member for Policy, Transport and Green Issues and the Chairman of the Overview and Scrutiny Committee (1-3). ⁷ Review therefore ongoing.
Principle 2:		
Constitution Review 2016/17	Corporate Legal Manager and Monitoring Officer	Update: Light touch review undertaken and amendments approved by Full Council on 14 July 2016. Completed initial stage.
The Scheme of Delegation review in the Constitution during 2016	Corporate Legal Manager and Monitoring Officer	A substantive review will follow any restructure of the senior management team.
Principle 3:		
Review of Member Code of Conduct complaints handling arrangements.	Corporate Legal Manager and Monitoring Officer	Due to be reviewed at the next Standards Committee meeting on 12 October 2016.
Planning Code of Conduct review of operation in 2016.	Corporate Legal Manager and Monitoring Officer	Due to be reviewed at the next Standards Committee meeting on 12 October 2016.
Member training on governance related issues.	Corporate Legal Manager and Monitoring Officer	New Guidance on the Code to be approved by Standards Committee and this to be used as part of training. Anticipated dates in November.
Senior Management will be required to declare any related party transactions for 2016/17, following a recommendation from the External Auditors.	Head of Finance, Performance & Asset Management	This requirement was implemented for 2015/16 – so completed.

⁵ See Task and Finish Group Conclusions and Recommendations : <http://web.north-herts.gov.uk/aksnherts/images/att11356.docx>

⁶ That the Member Workshop on PIs be discontinued; Executive Members and Senior Officers set performance and project targets following adoption of the Corporate Plan and O&S review the performance and project targets/ receive an update from the relevant Executive Member.

⁷ See minute 36 resolutions: <http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmte=CAB&meet=98&arc=71>

<p>Following review of the Anti-Bribery Policy and procedures, e-learning was provided for employees and Members. Uptake to be monitored and reported to this Committee.</p>	<p>Senior Lawyer</p>	<p>Module introduced in April 2016. Uptake of the e-learning module as at 6 September was 162/ 324⁸ employees completed (50%); 11 further employees currently showing "in progress". 3 Councillors.</p> <p>Examining ways of improving access for Members (remotely via Citrix or on site).</p>
<p>Annual Audit letter introduced as part of the Anti-Bribery procedures to be signed and returned by all staff as part of their annual Regular performance review. Employees and their line managers responsible for ensuring these are returned.</p>	<p>Corporate Human Resources Manager / Learning and Development Officer</p>	<p>227/ 304 returned the Annual Audit letter - 75%.</p>
<p>Review of other training on anti-fraud and corruption provided to employees and Members, following SAFS action plan proposals for 2016/17:</p> <ol style="list-style-type: none"> 1. Roll out an E-learning anti-fraud training package for NHDC Staff; 2. Provide Money Laundering training for appropriate staff; 3. Provide Fraud Awareness training to Elected Members. 	<p>SAFS Manager/</p>	<p>Discussion between Chairman of FAR and relevant officers regarding pre-Council training for Members (possibly before November Council meeting). Otherwise proposed delivery dates:</p> <ol style="list-style-type: none"> 1. By October 2016. 2. By October 2016. 3. By March 2017.
<p>Following the review of the effectiveness of the Finance, Audit & Risk Committee by SIAS a number of recommendations were made:</p> <ol style="list-style-type: none"> 1. An induction programme is provided to all new Members⁹; 2. All Members of Finance, Audit & Risk Committee are asked to complete the skills self-assessment to identify areas of strength and training needs; and 3. A training programme is delivered to Finance, Audit & Risk Committee to satisfy any training needs identified. 	<p>Head of Finance, Performance & Asset Management</p>	<ol style="list-style-type: none"> 1. Not due until after 2017 District elections. 2. Questionnaires have been circulated to Members of the Committee. 1 returned. 3. Training to be tailored to needs/ requirements following responses to 2 above.

⁸ HR figures for those registered on LMS

⁹ NB next due following 2018 District elections

Part 4		
Contract Procurement Rules review.	Payment and Reconciliations Manager/ Contracts and Procurement Lawyer	Review being undertaken and following FAR Committee consideration, potential recommendation on approval to Council for November 24 th meeting.
Procurement and commission review, implementation of East of England LGA (EELGA) recommendations during 2016/17 on: <ul style="list-style-type: none"> - Procurement Strategy; - Risk Matrix to be developed to enable categorisation of new contracts by Service Areas. - Contract Management guidance to be developed. - activating the contract management module within Intend; - NHDC activate Quick Calls and the Contract Register; and - implementation of Core/ Non-Core procurement. 	Head of Finance, Performance & Asset Management/ Payment and Reconciliations Manager	Core and Non-core implemented. The remainder ongoing.
The Corporate Equality Strategy will be reviewed by December 2016.	Head of Policy and Community Services/ Policy Officer	Ongoing.

10. LEGAL IMPLICATIONS

10.1 The legal background/ 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 and approval of the 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. 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/monitored.

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 As part of the corporate policy function, Council reports are routinely reviewed to ensure that the equalities implications sections are completed. This necessary function, demonstrates the Council's obligation to show due regard to the Equalities Act 2010. A cumulative analysis assessment has recently been completed. Where appropriate an Equality Impact Assessment has been completed. Where low impacts have been identified, officers have noted any mitigating actions that may need to be taken. With the continued pressure on the public sector to make savings, the Council will change how services are delivered. This will have consequences for some equality groups in North Hertfordshire. Report authors will be reminded in the forthcoming civic year to clearly demonstrate due regard to these service users whilst delivering efficiencies. The Annual Governance Statement of itself does not have a direct impact on service users and any equality analysis are published together with council meetings / agendas or through the delegated decision making route.
- 13.4 At the June 2016 meeting, the Committee resolved under the draft AGS item: *“(2) That the Senior Lawyer investigate the possibility of incorporating some form of cumulative assessment of equalities implications in the final version of the Annual Governance Statement;”*. An annual cumulative Equality Impact Assessment has been undertaken by the Policy and Community Services' Policy Officer and appended at C. Members will note that this is quite detailed and as the purpose of the AGS is to summarise general governance issues – it has been decided not to include this into the final version of the AGS. To do so would unnecessarily lengthen / change the recommended format of the AGS, and can, in any event, be dealt with as an annual assessment presented separately if required going forward under the new CIPFA framework (or other forum as deemed more appropriate).

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 report or the AGS. Any actions identified in the AGS will require officer resources; however, these should be covered within normal staff budgets.

16. APPENDICES

- 16.1 Appendix A – AGS for 2015/16.
- 16.2 Appendix B – Assurance Statement from the Chairman of the Finance, Audit & Risk Committee.
- 16.3 Appendix C - EQUALITY IMPACT ASSESSMENT CIVIC YEAR 2015/2016.

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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.
- 18.3 [Report: Draft AGS Statement 2015/16 13.6.16](#)