

FINANCE, AUDIT & RISK COMMITTEE

21 SEPTEMBER 2017

*PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

10

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2016/17

REPORT OF: SENIOR LAWYER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL OBJECTIVE: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1. For the Finance, Audit & Risk Committee to approve the Annual Governance Statement (AGS) for the 2016/17 year. This Statement reviews the Council's governance arrangements for the 2016/17 period. It also proposes an Action Plan to update/ improve those arrangements. This report also provides an update on the proposed Actions since the draft AGS was reported to Committee in June 2017.

2. RECOMMENDATIONS

That the Committee:

2.1. approves the AGS/ Action Plan (Appendix A);

2.2. notes the progress to date against the Action Plan (Appendix B).

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 ('AAR') 2015/234, before the Statement of Accounts.

3.2 The Committee is the legal body with responsibility for approval of the AGS.

3.3 Reviewing the AGS Action Plan during 2017/18 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. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. As reported to the Committee on 12 June 2017 [[Draft Annual Governance Statement \(AGS\) 2016/17 report](#)] the governance review and AGS format is based on a (new) 2016 CIPFA/ SOLACE Framework.

5.2. There has been direct liaison with a CIPFA Governance Advisor on how to approach the new assessment and format of the AGS.

- 5.3. Prior to the draft AGS being presented, the Senior Lawyer also liaised with the Council's External Auditors (Ernst & Young) on the approach that the Senior Management Team ('SMT') intended to adopt for the AGS self-assessment and scoring of the Council's arrangements under the new Framework. The Shared Internal Audit Service ('SIAS'), Shared Anti-Fraud Service (SAFS) Manager and Ernst & Young were sent the SMT AGS self-assessment document. The Leader also received a copy.
- 5.4. At the Committee on 12 June, Members were asked to provide feedback on the draft AGS by 31 July. The Head of Finance, Performance and Asset Management, sent a link to the draft AGS on 15 June to Committee Members. A further email was sent on 17 July 2017. A further version was sent to SIAS and the external auditors Ernst & Young on 14 June.
- 5.5. Any comments, or queries (or updated documents) have been included or links provided following this consultation as appropriate. The AGS appended at A is therefore the final version following consultation.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 Reference is made to the report of 12 June 2017, which sets out the legal requirements for preparation, review and approval of the AGS, together the matters included/ and parties involved in that process. As indicated this must be considered by Members of the Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 *before* the relevant authority approves the Statement of Accounts (Regulation 9(2)(b)) at this Committee meeting. The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.
- 7.2 The review was undertaken against the relevant CIPFA/ SOLACE Framework, which for this year onwards is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹. The AGS was prepared following an in-depth review/ input and scoring of arrangements by SMT against the Framework 2016 Principles (in accordance with the guidance²). The detailed self-assessment document has not been appended. It was however, loaded on the Council's Corporate Governance internet page prior to the draft AGS being reported to the Committee in June and will remain on the site until the next review is undertaken [[SMT AGS self-assessment document](#)].
- 7.3 The format of the AGS conforms to recommended practice, as per the advice provided by CIPFA: a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS highlights some key areas under the Principles, overall conclusion on the arrangements and appends the Action Plan.

8. RELEVANT CONSIDERATIONS

- 8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further improved or further reinforced.
- 8.2. The AGS for 2016/17 is attached as Appendix A for approval.

¹ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

² As above (*ibid*)

- 8.3. The Council will include the approved 2016/17 AGS as an Appendix to the Statement of Accounts as it has in previous years.
- 8.4. Updates on the AGS Action Plan are set out in Appendix B and will be reported to this Committee again in or around March 2018.

ACTION PLAN UPDATE (FROM DRAFT AGS 2016/17)

- 8.5. See Appendix B. All are ongoing.

9. LEGAL IMPLICATIONS

- 9.1 Under the Local Audit and Accountability Act ('LAAA') 2014/ AAR 2015 Regulations the 2016/17 AGS must be approved by this Committee by 30 September 2017. This changes to *31 July* for financial year 2017/18 onwards. Otherwise the legal implications are set out above.
- 9.2 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."* Review and approval of the AGS is a non-executive function and falls within the Committee's remit.

10. FINANCIAL IMPLICATIONS

- 10.1 The final AGS is to be approved and accompany the Statement of Accounts. Other than this there are no direct financial implications arising from this report.

11. RISK IMPLICATIONS

- 11.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and an Action Plan to improve governance identified and monitored.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their 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.
- 12.2 There are no direct equality implications of this report or the AGS. Where relevant the Council's arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the SMT AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Policy Officer. Where appropriate an impact assessment will be undertaken and mitigation measures identified. The Policy Officer undertakes an Annual Cumulative Equality Impact Assessment of these and publishes it on the Council's website³.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 The Social Value Act and "go local" policy do not apply to this report.

14. HUMAN RESOURCE IMPLICATIONS

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

³ <https://www.north-herts.gov.uk/home/council-performance-and-data/policies/equality-and-diversity>

15. APPENDICES

- 15.1 Appendix A – AGS and Action Plan for 2016/17;
- 15.2 Appendix B – AGS Action Plan update.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1. The Finance, Audit & Risk Report and Appendix A (12 June 2017 linked above).
- 17.2. The SMT AGS self-assessment is on the Corporate Governance Page:
<https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This contains links to further relevant background documents, reports, Policies and Guidance. The AGS also refers to documents and where possible, links have been provided to relevant pages and or documents.