



AUDIT COMMITTEE

24 June 2015

Subject Heading:

Annual Governance Statement

CMT Lead

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Policy context:

The draft version of the 2014/15 Annual Governance Statement for comment and approval.

Financial summary:

N/A

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	X
People will be safe, in their homes and in the community	X
Residents will be proud to live in Havering	X

SUMMARY

This report informs the Committee of the purpose of producing the draft Annual Governance Statement (AGS), the timetable for its production and the main roles and responsibilities of those charged with corporate governance.

The report will also update the Committee on significant governance issues raised as part of the 2013/14 AGS and the status of these issues and of new issues arising as part of the 2014/15 AGS process.

RECOMMENDATIONS

1. To comment on the draft 2014/15 Annual Governance Statement, attached as Appendix 1, and the process to produce it.
2. To agree the draft version of the 2014/15 Annual Governance Statement subject to any changes made as a result of recommendation one.

REPORT DETAIL

1. The Accounts and Audit Regulations (England) 2011 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.
2. The Annual Governance Statement is prepared in accordance with 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2012) which has been given 'proper practices' status by the Department for Communities and Local Government through non statutory guidance in respect of the requirement for local authorities to prepare an Annual Governance Statement.
3. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. The assurance framework sets out the sources of assurance that are relied upon on to enable preparation of the Annual Governance Statement. These include the work of the internal auditors and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also the comments made by the external auditors and other review agencies and inspectorates. The internal audit annual report forms a key element of the review, as does the Council's work on risk and performance management.

4. The Annual Governance Statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure that:
 - the Council's policies are implemented in practice;
 - high quality services are delivered efficiently and effectively;
 - the Council's values and ethical standards are met;
 - laws and regulations are complied with;
 - required processes are adhered to;
 - financial statements and other published performance information are accurate and reliable;
 - human, financial, environmental and other resources are managed efficiently and effectively.
5. The statement is required to disclose any issues that the Council consider to be significant governance issues. The issues identified in the 2013/14 Annual Governance Statement, the information governance agenda, austerity, pace of organisational change and compliance, have been monitored by management and the Governance Group throughout the year with review periodically by the Corporate Management Team and the Audit Committee. These issues have now been fed into the Governance Group's work programme to be progressed. Three new significant governance issues have been identified through the review of effectiveness:
 - Clarity and understanding of the Scheme of Delegation;
 - Non-compliance with procedures and expectations around declarations of interest; and
 - Changes in the assurance framework arising from reduced capacity.

Actions to address each of these governance issues are set out in the statement and progress will be monitored throughout the year.
6. Approval of the Annual Governance Statement should be at a corporate level and should be confirmed by the most senior officer and member signing the statement on behalf of the Council. The Council's Constitution delegates the responsibility for approving the AGS to the Audit Committee. The Audit Committee is required as part of its role to consider any corporate governance related issues that need to be referred to the Governance Committee for review.
7. The officer Governance Group, chaired by the Group Director, Communities and Resources, is responsible for monitoring and reviewing all aspects of corporate governance and driving the AGS process. The group meets quarterly, ensuring that the framework and process to produce the AGS is fully embedded within the Governance Group's annual timetable and agenda. This group has been reviewed and reinvented in 2014/15 and a report in December advised the committee of the changes made.

8. The Annual Governance Statement is subject to audit alongside the Statement of Accounts. The auditors do not give an opinion on the statement as such, but consider whether it reflects their understanding of the Council's governance arrangements obtained through all aspects of their work. They also form a view as to whether the statement adequately discloses any significant governance issues.
9. A draft version of the AGS is attached as appendix 1.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications arising directly. The risk relating to incorporating new best practice guidance into current governance arrangements is an increased expectation from stakeholders that is not delivered through the actions of the Council. However, this risk is unlikely as the Council is committed to openness and transparency. The risks of not reviewing our arrangements against best practice are the Council not being viewed as open and transparent and the External Auditor assessing corporate governance adversely. Failure to produce a robust AGS could result in adverse comments from the Council's External Auditors.

Legal implications and risks:

The Authority is statutorily obliged to conduct an annual review into the effectiveness of its systems of internal control prepared in accordance with proper practices. The Annual Governance Statement complies with that requirement and therefore there are minimal risks in ensuring that the Statement is progressed as per the recommendations.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report. Equalities is a key factors to consider in the Council's governance arrangements and any changes to the Code of Governance or other related policies and procedures are assessed to ensure the impact is appropriately identified.

BACKGROUND PAPERS

Audit Committee, 24 June 2015

Delivering Good Governance in Local Government (CIPFA/SOLACE) and the 2014/15 Annual Governance Statement.