



## AUDIT COMMITTEE

### 24 APRIL 2019

<b>Subject Heading:</b>	Draft Annual Governance Statement 2018/19
<b>SLT Lead:</b>	Jane West Chief Operating Officer
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<b>Policy context:</b>	This report presents the draft version of the 2017/18 Annual Governance Statement for comment and approval.
<b>Financial summary:</b>	N/A

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

### SUMMARY

This report provides the background for the requirement to produce an Annual Governance Statement (AGS).

The report will update the Committee on progress against the significant governance issues monitored during 2018/19, the status of these issues and the new issues arising from 2018/19 for monitoring in 2019/20.

**RECOMMENDATIONS**

1. To comment on the draft 2018/19 Annual Governance Statement, attached as Appendix 1.
2. To agree the 2018/19 Annual Governance Statement subject to any changes to the draft made as a result of recommendation one and any changes required by the Leader and the Chief Executive prior to signature.

**REPORT DETAIL**

1. The Accounts and Audit Regulations (England) 2015 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 the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).
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 Head of Audit opinion set out in 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, process 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;

## **Audit Committee, 24 April 2019**

- human, financial, environmental and other resources are managed efficiently and effectively.
5. The AGS is required to disclose any issues that the Council consider to be significant governance issues. Of the four significant issues identified in the 2017/18 AGS, three have been closed after the Governance and Assurance Board considered enough action had been taken in year. The remaining significant issue; Delivery of a balanced budget, is considered to have been an ongoing issue during 2018/19, requiring further ongoing action and so has been included in the 2018/19 AGS.
  6. In addition to this, two further significant issues have been identified during 2018/19:
    - Embedding the Governance Culture and Framework within the organisation; and
    - EU Exit; preparation and exit.
  7. Approval of the Annual Governance Statement should be at a corporate level and should be confirmed by the most senior officer (CE) and member (Leader) 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.
  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 from commenting on/agreeing the Annual Governance Statement. However implementation of the planned actions set out in the AGS may have financial implications. The expectation is that these will be contained within existing resources. Where this is not the case issues will be raised through the appropriate channels.

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 a review into the effectiveness of its systems of internal control prepared in accordance with proper practices and to prepare an Annual Governance Statement, which must be approved by the relevant committee (Regulation 6 Accounts and Audit Regulations 2015). Approval of the Annual Governance Statement (subject to any comments on the draft) complies with that requirement.

**Human Resources implications and risks:**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

**Equalities implications and risks:**

None arising directly from this report.