



## AUDIT COMMITTEE

22 June 2016

**Subject Heading:**

Annual Governance Statement

**CMT Lead**

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**Policy context:**

This report presents the draft version of the 2015/16 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

<b>SUMMARY</b>
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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 2015/16, the status of these issues and the new issues arising from 2015/16 AGS for monitoring in 2016/17.

## **RECOMMENDATIONS**

1. To comment on the draft 2015/16 Annual Governance Statement, attached as Appendix 1.
2. To agree the draft 2015/16 Annual Governance Statement subject to any changes made as a result of recommendation one.

## **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, 2012).
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;
  - 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. The three issues identified in the 2014/15 Annual Governance Statement, **Scheme of Delegation (oneSource), Declaration of Interest, Assurance** have been monitored by management and the Governance Group throughout the year with regular updates to the Audit Committee. These issues have now progressed and two new issues have been agreed for inclusion in the draft 2015/16 AGS and monitoring during 2016/17; **Havering Scheme of Declaration and Commissioning & Contracts (including compliance with procurement rules)**. Actions to address each of these governance issues are set out in the statement and progress will be monitored throughout 2016/17 by the Governance Board, CMT and Audit Committee.
6. 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.
7. The officer Governance Group, during 2015/16 was responsible for monitoring and reviewing all aspects of corporate governance and driving the AGS process. The group met quarterly, ensuring that the framework and process to produce the AGS was fully embedded within the Governance Group's annual timetable and agenda.
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.

<b>IMPLICATIONS AND RISKS</b>
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**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 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.

**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.

<b>BACKGROUND PAPERS</b>
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*Delivering Good Governance in Local Government (CIPFA/SOLACE).  
2015/16 Annual Governance Statement.*