

**REPORT FOR: GOVERNANCE, AUDIT &  
RISK MANAGEMENT  
COMMITTEE**

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**Date of Meeting:** 4 September 2012

**Subject:** Annual Governance Statement 2011/12

**Responsible Officer:** Tom Whiting, Assistant Chief Executive

**Exempt:** No

**Enclosures:** Draft 2011/12 Annual Governance Statement – Appendix 1  
2010/11 AGS Action Plan – Year End Update – Appendix 2  
Updated Code of Corporate Governance – Appendix 3

## **Section 1 – Summary and Recommendations**

This report sets out the Council's Annual Governance Statement (AGS) for 2010/11 required to meet the requirements of the Accounts and Audit Regulations 2011.

**Recommendations:**

The Committee is requested to:

- 1) Review the 2011/12 AGS (Appendix 1);
- 2) Make recommendations as appropriate to enhance the statement or improve the annual review process;
- 3) Note the progress made on the 2010/11 AGS Action Plan;

4) Approve the minor amendments recommended by the Corporate Governance Group to the Code of Governance;

5) Note the final Internal Audit opinion on the overall control environment.

**Reason: (For recommendations)**

To confirm the Council's approach to Corporate Governance and demonstrate our commitment to uphold the highest standards of integrity, openness and accountability. To comply with the requirements of the CIPFA/SOLACE guidance which constitutes 'proper practice' under the Accounts and Audit Regulations 2011.

## **Section 2 – Report**

### **Introduction**

- 2.1 Harrow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 The Council has approved and adopted a corporate governance framework and a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Annual Governance Statement explains how the Council has complied with the framework/code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement of internal control (Annual governance Statement).

### **Annual Governance Statement**

- 2.4 Each year the Council undertakes a robust review of its governance arrangements to ensure the delivery of good governance within a local government framework and current good practice. The purpose of the

review is to provide assurance that governance arrangements are adequate and operating effectively and to identify action required to ensure effective governance in the future.

- 2.5 Internal Audit co-ordinates the annual review compiling evidence/sources of assurance provided by members of the Corporate Governance Working Group into an evidence table which is used as a basis for the preparation of the AGS. This was reviewed and ratified on 08/08/11 by the Corporate Governance Group, who have ultimate responsibility for drafting the AGS, evaluating assurances and the supporting evidence. The evidence table is available for GARM members to review.
- 2.6 The Annual Governance Statement is prepared on behalf of the Leader of the Council and Chief Executive. It is submitted to the Governance, Audit and Risk Management (GARM) Committee for consideration and review with the annual accounts to meet the statutory requirement of the Accounts and Audit Regulations 2011 which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control”

## **2010/11 AGS Action Plan Year End Update**

- 2.7 The year end update of the 2010/11 AGS Action Plan shows that the governance gaps identified in 2010/11 were closed fully or partially in 2011/12 for 62% of gaps identified (a 7% improvement on 2009/10). Five actions from 2010/11 will be carried forward to the 2011/12 AGS Action Plan. One of relates to IT Disaster Recovery which was recognised as a significant governance gap in the 2008/09 Annual Governance Statement and remained a gap throughout 2009/10, 2010/11 and 2011/12. Three new gaps have been identified through the annual review of governance process, although none are considered significant by CGG, actions are in the process of being agreed to address these and will be shown in 2011/12 AGS Action Plan.

## **Code of Governance Review**

- 2.8 An original Code of Corporate Governance was agreed by the GARM committee in September 2008 with agreement for it to be reviewed annually. The Code was incorporated into the Council Constitution in February 2010. The annual review by the Corporate Governance Group took place in August 2012 and a minor amendment is recommended and shown in bold in Appendix 3 to this report for the GARM Committee’s approval. Basically the reference to an ‘annual report’ has been removed as this is no longer produced although the information is communicated via other means e.g. the Corporate Plan.

## **Internal Audit Opinion on the Overall Control Environment**

2.9 An interim opinion was reported to GARM Committee in June 2011 as part of the 2011/12 Internal Audit Year End report and this has now been finalised and the interim assessment confirmed. The adequacy and effectiveness of the organisation's control environment for the 2011/12 financial year has been assessed as "adequate" based on the following:

- 70% of the traffic lighted systems reviewed during 2011/12 were given an amber, an amber/green or a green assurance rating;
- 99% of recommendations made during 2011/12 were agreed for implementation;
- 67% of recommendations followed-up have been implemented, 31% are in progress or are planned at the time of follow-up thus it is expected that in due course 98% will be implemented. 100% of follow-ups resulted in an improved assurance rating.
- 19 suspected financial irregularities were reported to Internal Audit during 2011/12, the majority of irregularities investigated by Internal Audit were either caused by a break down/lack of control or where fraud was involved this was a contributing factor. In 9 (47%) cases there was no loss or the loss has been recouped (e.g. from banks, insurance or individuals); in 3 (16%) cases there was a loss of over £2000 and in 7 (37%) cases work is ongoing to establish whether a loss has occurred and/or the level.
- The management assurance exercise confirmed that 60% of the areas of assurance covered by the self-assessment process are working well across the Council i.e. above the assurance level set of 80% for each area, and have been given a green assurance rating.
- 91% of controls reviewed within the Council's core financial systems were either operating fully or substantially, with the remaining 9% operating partially.

## **Financial Implications**

2.10 Financial implications have been addressed, where relevant, in the main body of the report.

## **Risk Management Implications**

2.11 The work of internal audit supports the management of risks across the council.

## **Corporate Priorities**

2.12 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

### **Section 3 - Statutory Officer Clearance**

Name: Jennifer Hydari	<input checked="" type="checkbox"/>	On behalf of Chief Financial Officer
Date: 22 August 2012		
Name: George Curran	<input checked="" type="checkbox"/>	On behalf of Monitoring Officer
Date: 21 August 2012		

### **Section 4 - Contact Details and Background Papers**

**Contact:** Susan Dixson, Service Manager, Internal Audit,  
Tel:0208 424 1420

**Background Papers:** None.