
**REPORT FOR: GOVERNANCE, AUDIT,
RISK MANAGEMENT and
STANDARDS COMMITTEE**

Date of Meeting: 10th September 2015

Subject: Annual Governance Statement 2014/15

Responsible Officer: Tom Whiting, Corporate Director
Resources

Exempt: No

Wards affected: All

Enclosures: Appendix 1 – Annual Governance
Statement 2014/15

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Governance Statement (AGS) for 2014/15 and the Head of Internal Audit's Opinion.

Recommendations:

The GARMS Committee is requested to:

1. Approve the Annual Governance Statement for 2014/15
2. Note the Head of Internal Audit's Overall Opinion

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 section 3 of 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 6 of the Accounts and Audit Regulations 2015 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 that is used as a basis for the preparation of a draft AGS which is reviewed and agreed by the Corporate Governance Group.
- 2.6 The Annual Governance Statement is prepared on behalf of the Leader of the Council and the Chief Executive and has been signed-off by them both. It was submitted in draft to the Governance, Audit, Risk Management and Standards (GARMS) Committee on 22/07/15 for consideration and review and included with the draft annual accounts to meet the statutory requirement of Regulation 6 of the Accounts and Audit Regulations 2015 which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control”

- 2.7 A number of changes have been made to the draft and the committees' attention is specifically drawn to paragraphs 3.16, 3.17, 3.22, 3.25, 3.26, 3.27, 6.2 and 8.1 all of which have been updated and expanded since the draft.
- 2.8 Since the draft AGS was presented to the committee a significant governance gap has been identified (paragraph 8.1). This relates to the combined impact of control weaknesses identified in the systems for Business Continuity/IT Disaster Recovery and the IT Data Centre (as recognised above in the Head of Internal Audit's Opinion). Whilst the likelihood of an IT disaster occurring is considered unlikely the impact could be significant given the control weaknesses identified. A detailed action plan is already in place and being implemented for Business Continuity/IT Disaster Recovery (and once fully implemented will close this element of the gap) and a plan is currently being developed for the IT Data Centre.
- 2.9 An overarching AGS Action Plan detailing the specific action to close the 10 minor and the 1 significant governance gap identified by the annual governance review process will be developed and monitored by the Corporate Governance Group.

Head of Internal Audit's Overall Opinion on the Control Environment

- 2.10 The adequacy and effectiveness of organisation's control environment for the 2014/15 financial year has been assessed as "good" based on the following:
- 83% of the traffic lighted systems reviewed during 2014/15 were given an amber, an amber/green or a green assurance rating*;
 - 97% of recommendations made during 2013/14 were agreed for implementation;
 - 68% of recommendations followed-up have been implemented, 29% are in progress or are planned at the time of follow-up thus it is expected that in due course 97% will be implemented. All follow-ups resulted in an improved assurance rating with 94% attaining a green assurance rating;
 - 6 suspected financial irregularities were reported to Internal Audit during 2014/15 none of which resulted in any significant loss to the Council.
 - Fraud Governance has been assessed using the CIPFA Fraud Governance Checklist and has been assessed as a Red/Amber assurance.
 - 93% of controls reviewed within the Council's core financial systems were either operating fully or substantially, with 7% operating partially.
 - 100% of walkthrough tests confirmed that the core financial systems were operating as described in system notes and 99% of controls self-assessed by management were operating.

*Two reviews identified significant weaknesses in the Council's arrangements for Business Continuity/IT Disaster Recovery and the Council's IT Data Centre which could potentially have a major detrimental impact on the

Council's control environment if not improved. A detailed action plan is already in place for Business Continuity/IT Disaster Recovery and management are currently considering the IT Data Centre report.

Financial Implications

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

Risk Management Implications

It has been agreed that the risks relating Business Continuity/IT Disaster Recovery will be recorded on the Corporate Risk Register from Q2.

Equalities implications

None

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

Please identify how the report incorporates the administration's priorities.

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference for families

Section 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 24/08/15		
Name: Linda Cohen	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 21/08/15		

Ward Councillors notified:

YES/ NO

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Head of Internal Audit, 02084241420

Background Papers: None

If appropriate, does the report include the following considerations?

1.	Consultation	N/A
2.	Priorities	N/A