

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

Date of Meeting: 8th September 2016

Subject: Annual Governance Statement 2015/16

Responsible Officer: Tom Whiting, Corporate Director
Resources & Commercial

Exempt: No

Wards affected: All

Enclosures: Appendix 1 – Annual Governance Review
Evidence Table
Appendix 2 – Annual Governance
Statement 2015/16

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Governance Statement (AGS) for 2015/16 and the Head of Internal Audit's Opinion.

Recommendations:

The GARMS Committee is requested to:

1. Approve the Annual Governance Statement for 2015/16
2. Note the Head of Internal Audit's Overall Opinion 2015/16

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 (Appendix 1) 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 (Appendix 2). It was submitted in draft to the Governance, Audit, Risk Management and Standards (GARMS) Committee on 19/07/16 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 3.2, 3.10, 3.20, 3.23, 3.29, 6.2, 8.1, 8.2 and 8.3 all of which have been updated and expanded since the draft.
- 2.8 No significant gaps have been identified for 2015/16 and only 6 minor gaps have been identified demonstrating an overall improvement in governance arrangements.
- 2.9 The minor gaps identified are as follows:

	Minor Gap Identified	Action
Gap 1	No Council wide reminder to staff to record interests.	Annual communication to be sent by the Head of Internal Audit, Sept 2016
Gap 2	71% of members/reserves of GARMS are members/reserves of Scrutiny function.	Leader to review membership, May 2017
Gap 3	Risk Appetite Statement currently being reviewed	To be finalised, Dec 2016
Gap 4	Fraud Governance – amber assurance	Continuation of implementation of action plan, on-going 2016/17
Gap 5	Whistleblowing policy not available to members of the public	To be put on Harrow.gov.uk site, Sept 2016
Gap 6	Lack of mechanism in place to monitor and test policy compliance and provide monitoring reports to management.	Policy compliance software to be purchased and implemented, by end of 2016/17

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

2.10 The adequacy and effectiveness of organisation’s control environment for the 2015/16 financial year has been assessed as “good” based on the following:

- 83% of the traffic lighted systems reviewed during 2015/16 were given an amber, an amber/green or a green assurance rating;
- 100% of recommendations made during 2015/16 were agreed for implementation;

- 83% of recommendations followed-up have been implemented, 16% are in progress or are planned at the time of follow-up thus it is expected that in due course 99% will be implemented. All follow-ups resulted in an improved assurance rating with 100% attaining a green assurance rating;
- 97% of controls reviewed within the Council's core financial systems were either operating fully or substantially, with 3% operating partially.
- 100% of walkthrough tests confirmed that the core financial systems were operating as described in system notes and 92% of controls self-assessed by management were operating.
- 7 suspected financial irregularities were reported to Internal Audit during 2015/16 only one of which resulted in any loss to the Council.
- Fraud Governance has been assessed using the CIPFA Fraud Governance Checklist and has been assessed as an amber assurance.

Financial Implications

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

Risk Management Implications

2.12 None

Equalities implications

2.13 None

Council Priorities

2.14 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: Paul Gower



Chief Financial Officer

Date: 23/08/16

Name: Matthew Adams



on behalf of the
Monitoring Officer

Date: 23/08/16

Ward Councillors notified:

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? N/A

1.	Consultation	YES / NO
2.	Priorities	YES / NO