

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

Date of Meeting:	5 September 2017
Subject:	Annual Governance Statement 2016/17
Responsible Officer:	Tom Whiting, Corporate Director of Resources and Commercial
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 – Annual Governance Statement 2016/17 Appendix 2 – Governance Structure

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Governance Statement (AGS) for 2016/17 and the Head of Internal Audit's Opinion.

Recommendations:

The GARMS Committee is requested to:

1. Approve the Annual Governance Statement for 2016/17
2. Approve the Governance Structure
3. Note the Head of Internal Audit's Overall Opinion 2016/17.

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.
- 2.2 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires *'an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England)'*.
- 2.3 Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, requires that *"for a local authority in England, the statement is an Annual Governance Statement"*.
- 2.4 The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.
- 2.5 In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be *"prepared in accordance with proper practices in relation to accounts"* and must be *"approved in advance of the relevant authority approving the statement of accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code"*.
- 2.6 As reported at the last GARMS Committee meeting (18/07/17) the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* was updated in 2016 and this Framework applies to annual governance statements prepared for the financial year 2016/17 onwards. The overall aim of the Framework *'is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities'*.
- 2.7 The Annual Governance Statement explains how the Council has complied with the framework and 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).

Governance Structure

- 2.8 As part of the 2016/17 annual review of governance a new Governance Structure document (Appendix 2) has been developed to replace the old Code of Corporate Governance. As reported at the last meeting this will help to streamline the annual review of governance process as key documents will already be included in the governance structure and also provide a more accessible format for staff and the public to these key documents. A new intranet and internet page is being developed to facilitate this.

Annual Governance Statement

- 2.9 The Framework requires that *'Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:*
- *reviewing existing governance arrangements*
 - *developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness*
 - *reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.*

The main difference between this and the requirements in the original Framework is the emphasis on testing partnerships against the principles in the Framework.

- 2.10 Each year the Council undertakes a robust review of its governance arrangements to meet the requirements of the Framework and this year the annual review process, an evidenced based self-assessment undertaken by members of the Corporate Governance Working Group co-ordinated and reviewed by Internal Audit, has been fully reviewed and updated to reflect the requirements of the new Framework. To ensure compliance with the new Framework two new elements have also been introduced into the annual review process: - (i) a form of management assurance to be completed by the authority's three Corporate Directors for their Directorates and (ii) a Partnership Working self-assessment to be completed on a sample basis for a number of the authority's key /long running partnerships.
- 2.11 Internal Audit co-ordinates and reviews the evidence/assurance provided as part of the process and this is used as a basis for the preparation of the AGS which is reviewed and agreed by the Corporate Governance Group.
- 2.12 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 1). It was submitted in draft to the Governance,

Audit, Risk Management and Standards (GARMS) Committee on 18/07/17 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”

- 2.13 A number of changes have been made to the draft and the committees’ attention is specifically drawn to sections 3.1 second paragraph, 3.3, 3.4, 3.5 third paragraph, 3.8 third paragraph, 3.9 second paragraph, 3.13, 3.17, 3.20, 3.21, 4., 5., and 7., all of which have been updated since the draft.
- 2.14 One significant governance gap has been identified for 2016/17 and the detail of the gap and the agreed action to close the gap is reported in the Annual Governance Statement.
- 2.15 Minor governance gaps and actions agreed to close the gaps will be reported to the next GARMS Committee meeting.

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

- 2.16 The adequacy and effectiveness of organisation’s control environment for the 2016/17 financial year has been assessed as “good” based on the following:
- 86% of the traffic lighted systems reviewed during 2016/17 were given an amber, an amber/green or a green assurance rating;
 - 98% of recommendations made during 2016/17 were agreed for implementation;
 - 73% of recommendations followed-up have been implemented, 25% are in progress or are planned at the time of follow-up thus it is expected that in due course 98% will be implemented. All follow-ups resulted in an improved assurance rating with 81% attaining an amber/green or green assurance rating;
 - 91% of controls reviewed within the Council’s core financial systems were either operating fully or substantially, with 9% operating partially.
 - 95% of core financial systems controls self-assessed by management were operating.
 - 7 suspected financial irregularities were reported to Internal Audit during 2016/17 only one of which was considered significant.
 - Fraud Governance has been assessed using the CIPFA Fraud Governance Checklist and has been assessed as an amber/green assurance.

Financial Implications

- 2.17 No financial implications.

Risk Management Implications

2.18 None

Equalities implications

2.19 None

Council Priorities

2.20 The annual review of governance reviews arrangements in place that impact on the each of the Council's priorities and values.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 22/08/17		
Name: Noopur Talwar	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 23/08/17		

Ward Councillors notified: NO – affects all wards

Section 4 - Contact Details and Background Papers

Contact: Susan Dixon, Head of Internal Audit, 0208 424 1420
susan.dixon@harrow.gov.uk

Background Papers: None