

**HERTFORDSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**15 MAY 2018 AT 10.00 AM**

**ANNUAL GOVERNANCE STATEMENT 2017/18 and CODE OF CORPORATE GOVERNANCE 2018/19**

*Report of the Director of Resources*

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Executive Member: David Williams, Resources, Property & the Economy

**1. Purpose of Report**

- 1.1 To set out the basis for the recently completed review of the Council's governance arrangements, including its system of internal control, and to present the draft Annual Governance Statement (AGS) 2017/18 for the Committee's consideration and approval.
- 1.2 The AGS is a tool to ensure the appropriate profile of governance arrangements in an organisation, and demonstrates the Council's commitment to good governance. To have the intended effect the AGS must be open, honest and balanced. The document should reflect contributions from across the organisation. The draft AGS is provided in Appendix A.
- 1.3 The AGS reviews and reflects upon the Council's governance arrangements at a specific point in time. This is distinct from the Council's Code of Corporate Governance which sets out the standing arrangements that the Council puts in place to ensure good governance. The Code of Corporate Governance is made available on the Council's public website. The annual review of the Code has been carried out and Appendix B sets out the updated version.

**2. Background**

- 2.1 The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including its system of internal control. The Council has charged the Audit Committee with keeping the effectiveness of the Council's system of internal control under review, and reporting any recommendations for improvement to the executive.
- 2.2 This year's review of effectiveness has been informed by:

- Assurance statements from the Council's Joint Leadership Team comprising the Strategic Management Board and Assistant Directors;
- A review of compliance against the Council's Code of Corporate Governance;
- The Head of Audit Annual Opinion, authored by the Head of Assurance Services and presented to the Committee elsewhere on this agenda;
- Any comments made by the Council's External Auditors, and other review agencies and inspectorates.

2.3 SIAS led this year's review of the effectiveness and a draft Annual Governance Statement has been prepared and reviewed by the Strategic Management Board. The Statement has been produced in line with the guidance produced by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives.

### **3. Structure of the Annual Governance Statement**

3.1 Sections 1 to 3 of the AGS provide context on governance and on the purpose of the Council's governance framework whilst Section 4 describes key elements of the framework. Section 5 sets out how these arrangements have been reviewed.

3.2 Section 6 details those group activities which involve the Council as a stakeholder or partner.

3.3 Sections 7 and 8 both report on 'significant governance issues' with Section 7 giving an update on the matters raised in the 2016/17 Statement and Section 8 detailing those matters raised as part of the 2017/18 review. The Auditing Practices Board Bulletin 2004/2 gives guidance on potential indicators of such issues and some are listed below:

- a) It seriously prejudices or prevents achievement of a principal objective of the authority;
- b) It has resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- c) It has led to a material impact on the accounts;
- d) The audit committee, or equivalent, advises it should be considered significant for this purpose;
- e) The Head of Internal Audit reports on it as significant, for this purpose, in the annual opinion on the internal control environment;
- f) The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- g) The issue has resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

- 3.4 Section 9 of the document reports on opportunities to further improve and develop governance and internal control.

**4. Recommendations**

- a) That the Committee approves the draft Annual Governance Statement for 2017/18 prior to final sign off by the Leader of the Council and the Chief Executive.
- b) That the Committee approves the updated Code of Corporate Governance.