

Meeting:	Audit and governance committee
Meeting date:	Tuesday 28 January 2020
Title of report:	Annual governance statement: Action Plan update 2019/20
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To report progress made towards implementing the agreed action plan in response to issues identified in the 2019/20 annual governance statement in order that the committee may gain assurance that risks are being appropriately mitigated.

The annual governance statement approved on [30 July 2019](#) was accompanied by an action plan to strengthen governance arrangements. The report informs the committee about progress made in implementing the agreed actions in order that the committee may gain assurance that action is being taken in a timely fashion to mitigate identified risks.

The report also provides the committee with information about the timetable for production of the 2019/20 statement and the process of the review to be undertaken.

Recommendation(s)

That:

- (a) the committee review the progress made in delivering the annual governance statement action plan at appendix 1, and determine any recommendations it wishes to make either to secure further improvement or gain assurance; and**

- (b) the committee review the timetable and process for review and determine any recommendations it wishes to make to strengthen the review process.

Alternative options

1. There are no alternatives to the recommendations. It is a function of the committee to monitor the effective development and operation of risk management and corporate governance in the council, and reviewing governance improvement progress supports fulfilment of that function. It is a function of the committee to annually conduct a review of the effectiveness of the council's governance process and system of internal control which will inform the annual governance statement.

Key considerations

2. The council has a responsibility for conducting at least annually a review of the effectiveness of the governance framework including the system of internal control. This is reported through the annual governance statement and published as an appendix to the annual statement of accounts.
3. The annual governance statement also provides commentary on how the council's governance framework including the system of internal control can be improved. Whilst the statement by its nature is only signed off once a year, the process of review is continuous. Reports presented to the audit and governance committee inform the development of the annual governance statement, and the committee receives a half year progress report on implementation of the action plan supporting the annual governance statement. The progress report is attached as appendix 1 with an update on progress with a RAG (red; amber; green) rating based on green for complete and amber if not yet complete but on track or if there is a current or expected time delay. Regarding the latter this relates to the following actions:
 - **Action:** Communication and awareness of the current anti-fraud, bribery and corruption policy will be delivered to all staff. Time Scale: August 2019.
Update: The communication and awareness will be linked to other updates following the amendments to financial procedural rules for January 2020 to have a greater impact on a number of compliance issues.
 - **Action:** Adopt and implement a member development strategy and programme. Time scale: January 2020.
Update: Will be delayed to tie in with the establishment of a member working group to be convened in January 2020. The role of the group will be to review the draft strategy and programme.
 - **Action:** Adopt and implement a corporate workforce strategy. Time scale: December 2019.
Update: Delayed to tie-in with the new corporate priorities with implementation date of 31 March 2020.
 - **Action:** Improve the approach to training for decision report authors. Time scale: October 2019.
Update: Revision of current guidance undertaken, training being prepared for delivery from January 2020 with a revised intranet site

- **Action:** Strengthen specialist legal, finance, property and commercial support capacity, with particular reference to major procurements and arms length delivery arrangements. Time scale: January 2020.
Update: Majority of action complete, with outstanding activity to reshape legal services planned for first phase implementation by March 2020.
 - **Action:** Review West Mercia Energy joint committee governance. Time scale: September 2019.
Update: Review plans for West Mercia Energy joint committee governance in February 2020.
4. Two items changed in approach, but meeting the same result so therefore considered as complete:
- **Action:** Review the governance arrangements in place between the council and health bodies to ensure they support effective transparency and communication whilst respecting the respective partner's distinctive governance processes. Time scale: April 2020.
Update: Not one specific review but reviews as part of the existing governance arrangements. Also linked to related action to review all of the council's strategic partnerships.
 - **Action:** Provide guidance to managers for all job descriptions to be reviewed each year and accurately reflect accountabilities and requirements of the role. Time scale: September 2019.
Update: Rather than provide general guidance the requirement of up to date job descriptions is built into the managers' annual assurance statement.
5. The annual governance statement for 2020/21- must be published with the statement of accounts by 31 July 2020, the timetable is below for information:
- a) A draft of the statement is provided on 5 May so that the committee can provide assurance that the statement accurately reflects the strength of the council's governance and internal control processes, on the basis of the knowledge available to the committee at that time;
 - b) The draft statement is published with the draft accounts by 30 May;
 - c) The final draft statement, having regard to the external and internal audit opinion reports is provided to the committee on 30 July for approval;
 - d) Following the July meeting of the committee, and taking account of any recommendations the committee makes, the final statement is signed by the leader and chief executive for publication with the accounts by the end of July; and
 - e) The committee receives a progress report on the implementation of the action plan in January 2021.
5. The process of review that has been established is overseen by the chief finance officer who is the council's section 151 officer (a statutory role responsible for the proper administration of the council's financial affairs), and the solicitor to the council who is the council's monitoring officer (a statutory role responsible for maintaining the constitution, ensuring decision-making is fair and lawful, and for dealing with complaints that councillors have breached the councillor code of conduct) and consists of:

- a) reviewing our existing governance arrangements against the guidance included in The Chartered Institute of Public Finance and Accountancy (CIPFA) and The Society of Local Authority Chief Executives (SOLACE) 'Delivering Good Governance in Local Government' framework - 2016;
- b) reviewing our code of corporate governance to ensure it reflects this guidance and includes the recommended seven principles of good governance (see paragraph 7 below); and
- c) assessing the effectiveness of our governance arrangements against the code of corporate governance. The key sources of assurance that inform this review are set out in the following table.

What we are seeking assurances on	What sources of assurance we will use
<ul style="list-style-type: none"> • Delivery against corporate and service delivery plans whilst observing the principles of good governance • Delivery of sustainable economic, social and environmental benefits • Design and effectiveness of internal controls, risk management and counter fraud measures • Strong commitment to ethical values • Compliance with laws, regulations, and the council's constitution, strategies, policies and procedures • Key governance tools (e.g. financial, performance and risk management and reporting) are fit for purpose • Direction of travel of previously identified governance issues 	<ul style="list-style-type: none"> • Management assurances re compliance with laws and regulations, corporate strategies, policies, plans and arrangements e.g. constitution, financial and performance monitoring and reporting, and risk management • Statutory officers' declarations • Significant partnerships' governance risk assessments • Internal audit reports and opinions • Findings from audit and governance committee and scrutiny committees • External bodies and inspectorates reports • Views of the council's appointed Independent Person(s)

6. The external auditor has indicated that, as the council now produces group accounts which include Hoople, the annual governance statement should also extend to assurance around that bodies internal controls. Because the council has a framework for partnership governance in place that includes an annual assessment of any governance risks associated with a particular partnership this information will continue to inform the annual governance statement review process.

Community impact

7. Corporate governance is the term used to describe the systems, processes, culture and values Herefordshire Council has established to ensure we provide the right services, to the right people in a timely, open, and accountable way. The council's adopted code of corporate governance recognises that good corporate governance encourages better informed longer-term decision making using resources efficiently, and being open to scrutiny with a view to improving performance and managing risk; it sets out the seven principles to underpin good governance.

8. To assess compliance, the council conducts an annual review of the effectiveness of its governance framework and system of internal control. The results of this review, carried out in accordance with the principles of this code, inform the production of the annual governance statements presented as part of the statement of accounts

Equality duty

9. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
10. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a factual report on improvement action progress, we do not believe that it will have an impact on our equality duty.

Resource implications

11. There are no resource implications arising from the recommendations. Though resource has been realigned to meet some of the recommendations.

Legal implications

12. The Accounts and Audit Regulations 2015 include a requirement for all councils to produce an annual governance statement. This progress report is for information purposes only and does not have any legal implications.

Risk management

13. The statement itself identifies any significant governance risks and the action plan provides mitigation to those risks

Consultees

14. None.

Appendices

Appendix 1 – 2019/20 Action plan progress update.

Background papers

None identified.

Glossary of terms, abbreviations and acronyms used in this report.

Term	Abbreviation	Meaning
West Mercia Energy joint committee		The joint executive committee of Shropshire Council, Herefordshire Council, Borough of Telford & Wrekin Council and Worcestershire County Council.
managers' annual assurance statement		Produced annual as part of the governance framework as a statement of assurance by managers agreed by Directors.
The Society of Local Authority Chief Executives and Senior Managers	SOLACE	Network for local government and public sector professionals in the UK.
The Chartered Institute of Public Finance and Accountancy	CIPFA	Accountancy body for the public services providing education and training in accountancy and financial management.
Independent Person(s)		Appointed under the Localism Act 2011 to provide a view on members code of conduct complaints
Hoople		Hoople was established in 2011 as a company and delivers services to the council and other clients.
Framework for partnership governance		As part of the governance framework review of partnerships for risks to the authority.