

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 19 March 2019</b>
<b>Title of report:</b>	<b>Annual Governance Statement 2018/19</b>
<b>Report by:</b>	<b>Chief finance officer</b>

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose and summary**

To seek the views of the committee as to whether the draft annual governance statement 2018/19 properly reflects the risk environment the council is operating in and the appropriateness of any actions required to improve it.

The council is required to publish a statement annually which explains to the community, service users, tax payers and other stakeholders our governance arrangements and how the controls we have in place manage risks of failure in delivering our outcomes and reflecting our particular features and challenges. The draft statement is attached at appendix 1 and sets out the arrangements we have in place, the outcome of an initial review of their effectiveness, and actions we are taking to make improvements; a more detailed action plan in relation to these proposed actions will accompany the final draft.

The draft will be published with our draft statement of accounts in May. A final draft will be presented to the committee for approval in July once the internal and external auditors' opinions in respect of 2018/19 are available.

## **Recommendation(s)**

**That:**

- (a) the committee determines whether the draft annual governance statement at appendix 1 properly reflects the risk environment the council is operating in and that**

**actions identified are an appropriate response.**

## **Alternative options**

1. There are no alternatives to publishing an annual governance statement, which is a requirement of the Accounts and Audit Regulations 2015.
2. It is open to the committee to propose amendments to the draft statement to ensure it accurately reflects the council's governance arrangements and their effectiveness, and to ensure that proposed actions are appropriate.

## **Key considerations**

3. The council is required to publish a statement annually which explains to the community, service users, tax payers and other stakeholders our governance arrangements and how the controls we have in place manage risks of failure in delivering our outcomes and reflecting our particular features and challenges.
4. The preparation and publication of the annual governance statement has been carried out in accordance with the guidance produced by the Chartered Institute of Public Finance and Accountancy: 'Delivering Good Governance in Local Government'.
5. The guidance advises that statements should be meaningful but brief, high level, strategic and written in an open and readable style, and should include:
  - an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance
  - reference to and assessment of the effectiveness of key elements of the governance framework (set out in the code of corporate governance) and the role of those responsible for the development and maintenance of the governance environment, such as the council, the executive, the audit committee, internal audit and others as appropriate
  - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework
  - an agreed action plan showing actions taken, or proposed, to deal with significant governance issues
  - reference to how issues raised in the previous year's annual governance statement have been resolved
  - a commitment to monitoring implementation as part of the next annual review
6. The timetable for production and publication of the statement is provided below:

Draft statement considered by Audit and Governance Committee	19 March
Manager checklists to be completed	By 13 April
Director and statutory officer assurance statements to be completed.	By 30 April

Draft revised having regard to director and statutory officer assurance statements and any views expressed by the Audit and Governance Committee	Early May
Draft statement published with draft accounts	By end May
Draft reviewed in light of external auditor and head of internal audit opinion, and any further views of independent person	July
Final draft statement approved by Audit and Governance Committee	30 July
Approved statement published with statement of accounts	By end July

7. The committee received a report on progress made delivering the action plan in response to last year's statement at its meeting on 23 January; a further report on that action plan will be provided to the committee in July and any continuing actions will be reflected in the 2019/20 action plan.
8. The draft statement is provided at appendix 1, and shown with tracking in appendix 2 to show where changes have been made since the 2017/18 statement. Where data for the year is to be supplied these areas are identified as to be completed at year end.

## Community impact

9. Corporate governance is the term used to describe the systems, processes, culture and values the council has established to ensure we provide the right services, to the right people in a timely, open, and accountable way. 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.
10. The annual review ensures that our arrangements are effective in supporting achievement of the council's vision and corporate plan priorities

## Equality duty

11. 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.
12. 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. Compliance with our code of corporate governance ensures that we demonstrate how we are fulfilling this duty.

## Resource implications

13. None associated with the recommendations. If the committee proposes further actions, the resource implications of implementing those actions will need to be considered.

## Legal implications

14. The Accounts and Audit Regulations 2015 include a requirement for all councils to produce an annual governance statement, and set out the timescales by which they must be published. The draft statement ensures that the council will comply with these requirements.

## Risk management

15. The statement itself identifies any high level or strategic governance risks and the action plan provides mitigation to those risks.

## Consultees

16. The draft has been informed by the views of both the external auditor and head of internal audit; the final draft will reflect their opinions for the relevant year once these are available in July.
17. The views of the council's Independent Person have also been sought in relation to standards. Mr Stow raised the following issues:
18. *Appeals.* Mr Stow noted that an appeals process for code of conduct complaints is now in place and procedures to support this have been improved and suggested that the feedback from those involved in appeals should continue to be monitored. This is already part of the operational practice, and data collected will inform the annual code of conduct report which is received by the committee.
19. *Joint protocol with the police regarding Disclosable Pecuniary Interests.* Noting that a draft protocol is with the police Mr Stow would wish to see this expedited, commenting: "In the absence of an agreed protocol, the governance risk is low likelihood but potentially high impact in terms of possible reputational damage (for instance, if the Police prosecute a member after the Council has rejected a complaint against them)". This issue continues to be reflected in the draft statement.
20. *Failure to comply with a sanction.* Mr Stow expressed concern that the committee had not acted on his previous recommendation to amend the arrangements to provide explicit reference to action to be taken to enforce compliance with a sanction. He proposed that the arrangements be amended to include: "If necessary, sanctions imposed on Herefordshire Councillors for code breaches will be enforced by removal from committees and external appointments, and by publicity including a motion of censure at full Council". At its November meeting, the committee noted that compliance was routinely monitored and agreed that the arrangements should make clear that in the event of non-compliance the matter should be referred to the Standards Panel. The sanctions open to the Standards Panel include those proposed by Mr Stow. The revised arrangements taking

account of this change and those changes reported to the committee in January have recently been published and the statement reflects this improvement.

21. *Monitoring Officer rejection of complaints against a Herefordshire Council member.* Mr Stow remains concerned that the arrangements enable the Monitoring Officer to reject a complaint against a Herefordshire Council member without reference to the Independent Person raising a reputational risk that the Monitoring Officer could be perceived by the public not to be acting independently. In practice, the rejection of a complaint against a Herefordshire Council member without reference to the Independent Person is exceptional (there have been no instances in the current year), and such a decision is taken only where there is clear verifiable evidence, such as an audio recording, to support such a decision. Additional safeguards and protections also exist in law to support the maintenance of the independence of the Monitoring Officer and other specified statutory officers.

## **Appendices**

Appendix 1 – Draft Annual Governance Statement 2018/19

Appendix 2 – Draft Annual Governance Statement 2018/19 (showing tracked changes from 2017/18)

## **Background papers**

None identified.