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**REPORT TO:** Governance Panel

**DATE:** 3 April 2007

**DEPARTMENT:** Corporate Policy and Improvement

**REPORTING OFFICER:** Scrutiny Officer (Mark Codman)

**SUBJECT:**  
**DRAFT - GOVERNANCE PANEL ANNUAL REPORT  
2006/2007**

**WARD/S AFFECTED:** All

**FORWARD PLAN REF:** N/A

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**1.0**

**PURPOSE OF REPORT**

- 1.1 The Governance Panel is in its first year of operation as the Audit Committee for the Council. Good practice indicates that in line with other sectors the Panel should prepare an annual report to the full Council setting out the Panel's work and performance during the year. This report therefore details this information for consideration by the Panel.

**2.0**

**RECOMMENDATION/S**

- 2.1 It is recommended that the Governance Panel:
- 1) Prepare an annual report to the full Council setting out the Panel's work and performance during the year including:
    - i) How it met its terms of reference and, if appropriate
    - ii) Provide assurances regarding the systems of risk management and governance within the Council.
  - 2) Undertake a self-assessment and include the results in the final annual report. **(PLEASE CAN MEMBERS OF THE PANEL CONSIDER THIS ASSESSMENT PRIOR TO THE MEETING)**

### **3.0 RECOMMENDED REASON/S FOR DECISION/S**

- 3.1 The production of an annual report by the Council's Governance Panel and presenting it to full Council is considered good practice and is in line with other sectors.

### **4.0 THE REPORT**

- 4.1 Good practice indicates that the Governance Panel should prepare an annual report to the full Council setting out the Panel's work and performance during the year. This report should include how it met its terms of reference and should include:

- Confirmation that the system of risk management in the authority is adequate in identifying risks and allowing the authority to understand the appropriate management of those risks
- Confirmation that there are no areas of significant duplication or omission in the systems of governance in the authority that have come to the Panel's attention and not been adequately resolved.

- 4.2 The report should highlight to the full Council the main areas that the Panel has reviewed and any particular concerns or issues that it has addressed

- 4.3 It is also advised that the Governance Panel should undertake a formal review of its effectiveness and should include the result in the annual report.

#### **Governance Panel Work Programme 2006/2007**

- 4.4 The agreed core functions of the Governance Panel are to:

- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it
- Approve (but not direct) internal audit's strategy, plan and monitor performance
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- Receive the annual report from the head of internal audit

- Consider the reports of external audit and inspection agencies
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

4.5 The Governance Panel has had 3 meetings (including this one) in 2006/2007 with the first one being in October 2006.

4.6 The detailed Terms of Reference are attached at **APPENDIX A** and fall under 3 main headings:

1. Audit Activity
2. Regulatory Framework
3. Accounts

### **1. Audit Activity**

#### **Meeting 26 October 2006**

4.7 Annual Governance Report - Audit 2005/06 - Audit Commission

The Panel considered the Annual Governance Report - Audit 2005/06 from the Audit Commission. It was noted that due to the recent establishment of the Governance Panel it had not been possible to consider this item prior to the General Purposes Committee but the work programme for the Panel would include this item at the appropriate time in the future.

4.8 Internal Audit - half yearly report

The Panel considered a report to inform it about the work of Internal Audit in the first half of 2006/07 and plans for the remainder of the year. This considered the actions to address issues raised and the management of Internal Audit resources

#### **Meeting 18 December 2006**

4.9 Interim Audit 2004/05 - follow up

The Panel received an update on progress made in relation to an Action Plan arising from the Audit Commission Interim Audit 204/05.

4.10 Review of Internal Audit 2004/05" - follow up

The Panel received an update on progress made in relation to an Action Plan arising from the Audit Commission review of Internal Audit 204/05.

4.11 Internal Audit performance indicators

The Panel requested to review the performance indicators available in measuring the performance of Internal Audit. After this review it agreed to receive a twice-yearly update on Internal Audit performance indicators.

**Meeting 3 April 2007**

4.12 Review of the System of Internal Audit

To be agreed at the meeting following presentation of main report.

4.13 Audit and Inspection Plan Harrogate Borough Council Audit – 2007/2008

To be agreed at the meeting following presentation of main report

4.14 Annual Audit and Inspection Letter Harrogate Borough Council – Audit 2006

To be agreed at the meeting following presentation of main report

**2. Regulatory Framework**

**Meeting 26 October 2006**

4.15 Anti-Fraud and Corruption Strategy

The Panel considered and endorsed the updated anti-fraud and corruption strategy.

4.16 Statement On Internal Control Half Yearly Update

The Panel received an update regarding progress made on a number of issues contained in the previous year's Statement On Internal Control. It was also informed about value for money issues, the Council's revitalised Whistleblowing Policy, arrangements regarding the Council's plans for business continuity and the "Sources of Assurance" in relation to internal control

4.17 Risk Management Arrangements Half Yearly Update

The Panel received an update regarding issues arising in relation to risk management since the review of risk management undertaken in July 2006.

4.18 Ombudsman's Annual Letter 2005/06

The Panel considered the Annual Report for 2005/06 from the Local

Government Ombudsman concerning the range of findings that the Ombudsman could conclude upon in relation to the Council's activities following complaints made against the Council.

**Meeting 18 December 2006**

4.19 Standards Committee - Terms Of Reference

The Panel received a report regarding its involvement in the payment of any significant amount of compensation under Section 92 of the Local Government Act 2000 in respect of actual or possible maladministration and the potential co-option of an independent member of the Standards Committee on to the Governance Panel. The Panel agreed the co-option and its involvement in the payment of any significant amount of compensation.

4.20 Risk Assessment

The audit manager (Audit Commission) sought the views of the panel on the key issues and risks facing the authority. The Panel agreed that it would review the arrangements for managing new and emerging risks following approval of the Corporate Strategic risks by the Executive.

4.21 Draft Statement on Internal Control - Sources of Assurance

The Panel considered and agreed proposals to achieve more effective engagement from Heads of Service in relation to the Statement on Internal Control by developing statements of assurance on the Covalent Management System

4.22 Annual Efficiency - Introduction and Update

The Panel considered the Council's annual efficiency arrangements including cashable and non-cashable savings, sustainable gains, Gershon work streams, the process of identifying and measuring gains, the inspection and audit process, Harrogate Borough Council's approach and its three-year target in achieving that approach.

**Meeting 3 April 2007**

4.23 Statement on Internal Control 2006/2007

To be agreed at the meeting following presentation of main report

4.24 Annual Efficiency Statement Forward Look 2007/2008

To be agreed at the meeting following presentation of main report

4.25 Draft Strategic Risk Register 2007/2008

To be agreed at the meeting following presentation of main report

### 3. Accounts

- 4.26 Due to the timing of the establishment of the Governance Panel it has not been possible to consider the final accounts for the Council 2006/2007 as this is completed annually in June. The Governance Panel did not have its first meeting until 26 October 2006 and will complete its work for 2006/2007 at its meeting on 3 April 2007. The final accounts 2006/2007 will be considered by the Governance Panel to be established for 2007/2008.

#### Review of the effectiveness of the Governance Panel

- 4.27 There is no agreed methodology for assessing the effectiveness of the Governance Panel. The Institute of Public Finance (IPF) has developed a self-assessment checklist in its publication "A toolkit for Local Authority Audit Committees". It is proposed that the Panel considers this checklist as a basis for assessing its effectiveness (**PLEASE CAN MEMBERS OF THE PANEL CONSIDER THIS ASSESSMENT PRIOR TO THE MEETING**). The results can be included in the final Annual Report. A copy of the self-assessment checklist is enclosed at **APPENDIX B**.

### 5.0 CONCLUSION/S

- 5.1 Good practice indicates that the Governance Panel should prepare an annual report to the full Council setting out the Panel's work and performance during the year. This report therefore details the work of the Panel for the year enabling it to consider how it met its terms of reference and if appropriate provide assurances regarding the systems of risk management and governance within the Council.
- 5.2 The report also provides a self-assessment checklist that can be completed to enable the Panel to assess its effectiveness. The results of this assessment can be included in the final annual report.

#### Background Papers -

**OFFICER CONTACT:** Please contact Mark Codman if you require any further information on the contents of this report. The officer can be contacted at Crescent Gardens by telephone on (01423) 556153 or by Email – mark.codman@harrogate.gov.uk

### SUSTAINABILITY ASSESSMENT / POLICY CONSIDERATIONS

		Implications are		
		Positive	Neutral	Negative
A	Economy		✓	
B	Environment		✓	
C	Social Equity		✓	
i)	General			
ii)	Customer Care / People with Disabilities			

iii)	Health Implications			
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable.