

# DRAFT

## AGENDA ITEM NO

### AUDIT COMMITTEE 21 June 2010

**Subject:** **Annual Governance Statement to 2009/10 Accounts**

**Director/Head of Service:** **Director of Finance**

**Decision Issues:** These matters are within the authority of the Audit Committee

**Decision:** Non-key

**Classification:** Non-confidential

**Ward:** **[All]**

**Summary:** *The Council is required to include an Annual Governance Statement within its statutory accounts. The statement reviews the Council's corporate governance and risk management processes and identifies any significant governance issues.*

*The Annual Governance Statement is attached as appendix to this report.*

**To Recommend** **That the statement as set out be approved for inclusion in the statutory accounts.**

### SUPPORTING INFORMATION

1. **Issues for consideration**

**Account & Audit Regulations (as amended) and Internal Audit Codes of Practice**

For accounting periods from 2009/10, an annual governance statement is required under Regulation 4 of the Accounts and Audit Regulations 2003 as amended in 2006.

This includes among other things:

*'The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of*

*internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk....The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, with a) any statement of accounts it is obliged to publish in accordance with regulation 11, or b) any income and expenditure account, statement of balances or record of receipts and payments it is obliged to publish in accordance with regulation 12.'*

Audited bodies are required to review the effectiveness of their system of internal audit once a year and for the findings to be considered as part of the system of internal control referred to in Regulation 4 above.

### **Professional Guidance on Production of Annual Governance Statement**

CIPFA / SOLACE guidance sets out the principles of corporate governance as:

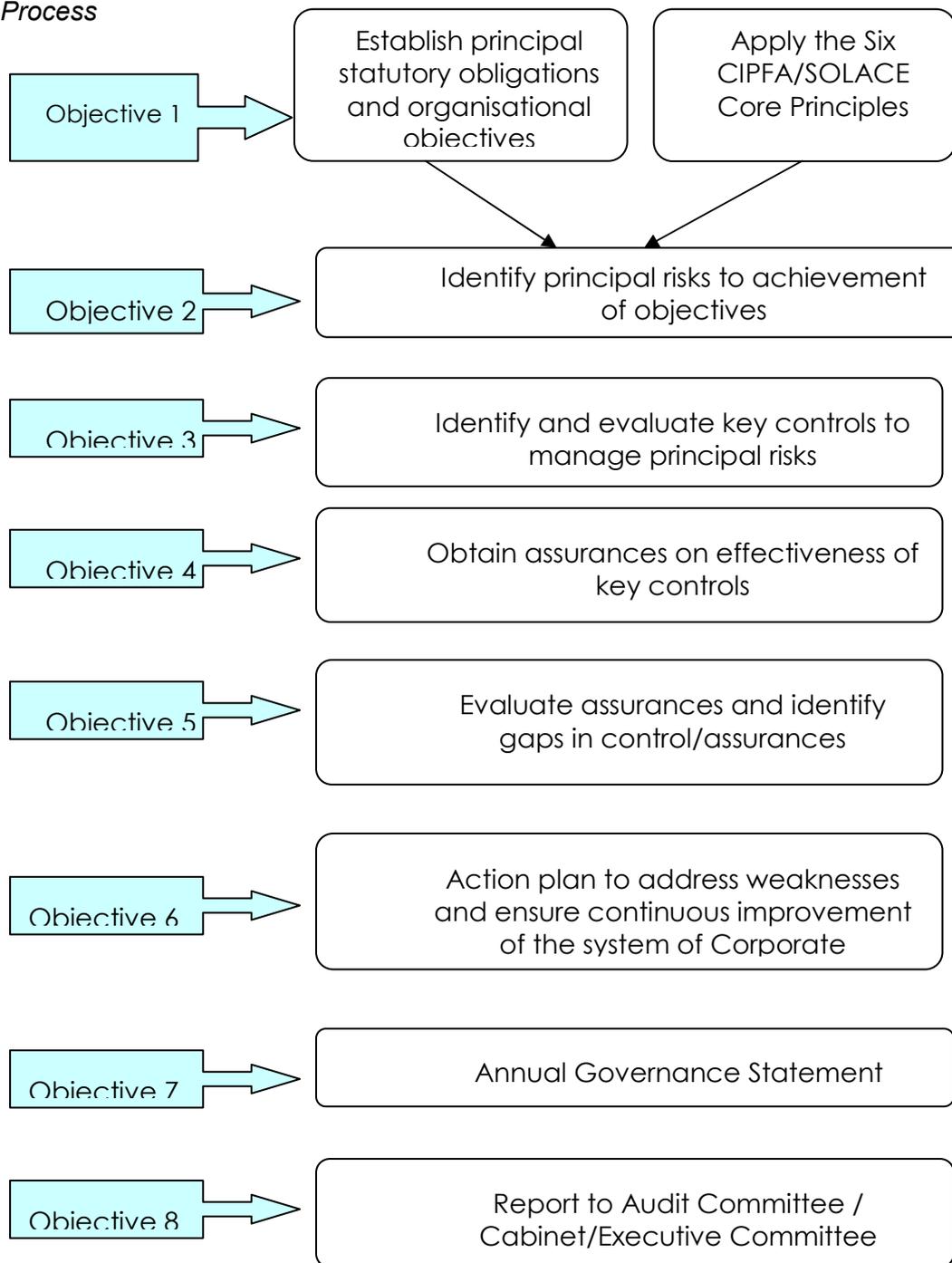
1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust accountability

Additional guidance issued sets out in a flow chart the process for gathering the evidence for the Annual Governance Statement and reporting its results (see below)

The Audit Committee is a vital part of this process in ensuring that the statement is a true reflection of the Authority's governance arrangement as supported by the evidence presented to them. This will include the Annual Internal Audit Report, the Quarterly Risk Management Review, and other documents referred to (such as the Council's Constitution, and Member and Employee Codes of Conduct).

The purpose of this statement (set out at Appendix 1) is to give assurance that the Council is acting responsibly in all areas and has taken appropriate steps to address its significant risks. Where further action is required to address any issues, these have been included within the statement as Significant Internal Control Issues.

**Flowchart 1: Review of Annual Governance Statement and the Assurance Gathering Process**



2. **Any consultations planned or undertaken**

No consultation required

3. **Options available (set out the various options available)**

To recommend approval of the Annual Governance Statement for inclusion with the Statutory Accounts

To recommend amendments to this Statement.

4. **Any implications known as this stage**

Adequate Internal Controls are essential for ensuring, economy, efficiency and effectiveness in the delivery of council services and sound governance arrangements to reduce/manage its business risks.

5. **Any conclusions, which can be drawn at this stage**

While there are some areas requiring action / further action, as a whole, the Council has in place sound systems of internal control, which provide the framework for a robust system of corporate governance.

6. **Next stage in process**

To recommend to the Council

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**List of background papers (excluding published works) for this report:-**

Appendix 1 – Annual Governance Statement 2010

Annual Internal Audit Report *see separate Agenda item*

Quarterly Reports on the Council's Strategic Risks *see separate Agenda item*

Financial Advisory Network – guide to producing SIC.

CIPFA Finance Advisory Network Publication – Meeting the Requirements of the Accounts and Audit Regulations 2003 incorporating Accounts and Audit (Amendment) Regulations (England) 2006 – Rough Guide for Practitioners with effect from 2007/08

CIPFA publication – Audit Committees Practical guidance for Local Authorities

CIPFA publication – Code of Practice for Internal Audit in Local Government in the United Kingdom 2006