

FINAL ACCOUNTS AND AUDIT COMMITTEE
13 December 2007

ANNUAL GOVERNANCE STATEMENT
REVIEW PROCESS FOR 2007-08

Purpose of Report

1. The purpose of this report is to inform the Committee of the following:
 - the new requirement to prepare and publish an Annual Governance Statement from 2007-08 onwards, and
 - the current proposals for reviewing the effectiveness of the Council's governance framework, including its system of internal control, and for preparing the Annual Governance Statement for 2007-08.

Background

2. In 2001 CIPFA/SOLACE produced its document "Corporate Governance in Local Government; A Keystone for Community Governance" that provided a single framework for good governance for local government.
3. In July 2007 CIPFA/SOLACE published a revision of the above document, "Delivering Good Governance in Local Government", which presents a governance framework incorporating six core principles, with supporting principles, details of which are attached as an Appendix to this report. The document urges local authorities to:
 - Review their existing governance arrangements against this framework;
 - Develop and maintain an up-to-date local code of governance
 - Prepare an annual governance statement to report publicly the extent to which they comply with their own code of governance, and to set out improvement plans, where appropriate.
4. The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit Regulations (Amendment) (England) 2006, require each local authority to "conduct a review at least once in a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices". The new CIPFA/SOLACE governance framework defines the proper practices which must now be followed to meet the requirements of the Accounts and Audit Regulations. In practice this means that the Council is now

required to prepare and publish an Annual Governance Statement that subsumes the existing Statement on Internal Control (SIC).

5. The governance statement should include the following:
 - An acknowledgement of responsibility for ensuring there is a sound system of governance, incorporating the system of internal control
 - An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide
 - A brief description of the key elements of the governance framework, including reference to group activities where those activities are significant
 - A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements
 - An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

Review Process for 2007-08

6. In reviewing the effectiveness of the Council's governance framework and preparing the Annual Governance Statement for 07/08 it is proposed to adopt a similar approach to that used previously for the SIC, drawing on key areas of assurance, including:
 - Work of the Standards Committee in relation to ethical governance;
 - Work of the Overview and Scrutiny Committees and Task Groups;
 - Performance and risk management;
 - The CPA "Use of Resources" assessment, and actions required in relation to internal control;
 - Work of Internal Audit and External Audit;
 - Directors assurance statements;
 - Partnerships governance;
7. This approach will be adapted as necessary to bring it in line with the revised CIPFA / SOLACE framework and guidance.
8. The timescale for producing the Annual Governance Statement will be the same as for the SIC. We will bring a draft Governance Statement to the Committee in June 2008 and the final version for approval and publication at the end of September 2008.
9. We are currently reviewing the composition and remit of the officer group which is to be responsible for undertaking the review of the effectiveness of the

Council's corporate governance arrangements under the revised Framework and Guidance. This needs to reflect the holistic approach to corporate governance envisaged by the Framework and Guidance and link in with proposed changes to the Council's risk management arrangements. Details will be reported to the next meeting of the Committee in March.

Financial Implications

10. There are none.

Environmental Impact of Proposals

11. There are none.

Risk Assessment

12. There are no risks associated with the implementation of the new governance framework. It is intended that the Council's corporate governance, including its risk management, will be strengthened further under these arrangements.

Proposal

13. The Committee is asked to note the following:

- the new requirement to prepare an Annual Governance Statement from 2007-08 onwards;
- the current proposals for reviewing the effectiveness of the Council's governance framework, including its system of internal control, and for preparing the Annual Governance Statement for 2007-08;
- that a progress report will be brought to the next meeting of the Committee in March 2008.

IAN GIBBONS
DEPUTY MONITORING OFFICER

Report Authors: Ian Gibbons, Deputy Monitoring Officer
Steve Memmott, Chief Auditor

Unpublished documents relied upon in the production of this report:

CIPFA / SOLACE Delivering Good Governance in Local Government - Framework and Guidance Note