

# **KENNET DISTRICT COUNCIL**

## **RESOURCES EXECUTIVE COMMITTEE** **to be held on 17<sup>th</sup> March 2009**

Report by Andrew Hart, Head of Financial Services

### **Meeting the Requirements for an Annual Governance Statement / Statement on Internal Control Year Ending 31<sup>st</sup> March 2009**

#### **1. Purpose of Report**

The purpose of this report is to inform Members of the requirements for the Council to prepare and publish an Annual Governance Statement, as part of the Council's financial statements. In addition, supplementary structural change provisions require a 'Statement on Internal Control'. A draft version of the Annual Governance Statement / Statement on Internal Control is presented for approval.

#### **2. Financial and Staffing Implications**

There are no staffing or financial implications arising from the report.

#### **3. Legal Implications**

The Accounts and Audit Regulations 2003 formally made all local authorities responsible for conducting a review, at least once a year, of the effectiveness of its system of internal control. This review was documented within a Statement of Internal Control, which formed part of the financial statements and was approved annually by the Resources Executive Committee.

These regulations were amended by the Accounts and Audit (Amendment) (England) Regulations 2006 requiring that the local authority should include an Annual Governance Statement, prepared in accordance with proper practice, in its annual Statement of Accounts in place of the Statement of Internal Control. The Annual Governance Statement must be signed by the Leader and Chief Executive of the Authority.

The Local Government (Structural Changes)(Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009, requires under regulation 11, each predecessor council (undergoing Unitary reorganisation) to approve a 'Statement on Internal Control' as regards the year ending immediately before the reorganisation date.

## 4. Background

Governance in local government is about how authorities ensure that they are doing the right things, in the right way, for the right people and in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and the cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

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. The framework recommended that local authorities review their existing arrangements against a number of key principles and report annually on their effectiveness in practice.

In order to reinforce accountability, Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) required councils to review the “effectiveness of their system of internal control” at least once a year and to publish a Statement on Internal Control (SIC) with the authority’s financial statements. It also required the findings of the review to be considered by a committee of the council (or the whole council).

In 2007, CIPFA / SOLACE published a framework and guidance for delivering good governance in local government. The framework illustrates best practice for developing and maintaining a local code of governance.

CIPFA’s previously published guidance on the form and content of the statement on Internal Control, “The Statement on Internal Control in local Government; Meeting the requirements of the Accounts and Audit Regulations 2003”, has formally been withdrawn and does not apply to periods after 2006/07.

From 2007/08 the Annual Governance Statement (AGS) is the formal statement that recognises records and publishes an authority’s governance arrangements. It is a statement which has now subsumed the Statement on Internal Control (SIC) just as the SIC subsumed the Statement on Internal Financial Control from 2003/04.

The governance framework itself remains a discretionary code and is offered to organisations as good practice. It outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.

However, the degree to which the authority follows these principles should be declared in its AGS by reference to the Council’s Code of Corporate Governance. It is this statement (AGS) that has the legal backing of Regulation 4 of the Accounts and Audit Regulations from 2007/08.

These core principles are as follows:

- 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 the local people and other stakeholders to ensure robust accountability.

## **5. Preparing the Annual Governance Statement**

There is an existing process for the review of the control system, collation of information and compilation and monitoring of the Statement on Internal Control. The Annual Governance Statement goes much wider than the SIC but the assurance gathering process is similar.

At the centre of the review process there is a corporate group who have responsibility for drafting the Annual Governance Statement, evaluating assurances and the supporting evidence and whether or not there is consistency with existing policies and the authority's governance framework. This corporate group consists of:

- S151 Officer (Head of Finance)
- Monitoring Officer (Head of Legal Services)
- Risk Manager / Chief Internal Auditor
- Principal Accountant (Facilitator)
- Head of Policy

In assessing the Council's governance arrangements under each of the six core principles, the corporate group used The Financial Advisory Network's 'Rough Guide to the Annual Governance Statement' as a basis for reviewing its own governance arrangements and evidence has been gathered to support the conclusions drawn.

The Council's governance arrangements are good within Kennet, and no action is necessary during the year ending 31 March 2009 to make

corrections to the governance framework as only minor weaknesses have been identified.

However the Council recognises that the move towards the Unitary Authority within Wiltshire may pose significant risks to the control environment and the assets of this Council. These risks will need to be monitored throughout the transition period.

## **6. Recommendations**

It is **RECOMMENDED THAT:**

- 1) Members approve the draft Annual Governance Statement (Appendix A), for signing by the Leader of the Council and Chief Executive and for inclusion in the Statement of Accounts for 2008-09.