

COMMITTEE: AUDIT AND GOVERNANCE

DATE: 22 JUNE 2010

SUBJECT: THE ANNUAL GOVERNANCE STATEMENT FOR 2009-10

REPORT BY: HEAD OF CORPORATE FINANCE

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IMPLICATIONS:

LEGAL	<input type="checkbox"/>	COMMUNITY SAFETY	<input type="checkbox"/>
EQUALITIES	<input type="checkbox"/>	ENVIRONMENT	<input type="checkbox"/>
FINANCIAL	<input checked="" type="checkbox"/>	CONSULTATIONS	<input type="checkbox"/>
STAFFING	<input type="checkbox"/>	RISK	<input checked="" type="checkbox"/>

WARDS AFFECTED: NONE

PURPOSE

1. A committee of the Council is required to review and approve the Annual Governance Statement for 2009-10. Since the Statement is a part of the Council's Statement of Accounts, this function is the duty of the Audit and Governance Committee.

RECOMMENDATION(S)

2. The Committee is recommended to:
 - i) Review thoroughly the Annual Governance Statement;
 - ii) Consider whether any changes should be made to the Annual Governance Statement in the light of that review, prior to the Chief Executive and Leader of the Council signing the document;
 - iii) Consider whether any changes should be made in the process for preparing the Annual Governance Statement in future years;
 - iv) Approve the Annual Governance Statement, for signing by the Chief Executive and Leader of the Council.

REPORT

3. The Annual Governance Statement (AGS) is included in the Statement of Accounts, which is reported separately on this agenda. The AGS begins at around page 83 of the Statement of Accounts.
4. The Annual Governance Statement reviews the overall governance of the authority as a whole for the past year. The importance of this requires a separate report and debate.

5. The Accounts and Audit Regulations require the Council to ensure that it has a sound system of internal control which 'facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk'. The Annual Governance Statement, and the process that has been put in place to produce it, is fundamental to that assurance process.
6. This report describes the evidence that has been used to put together the Annual Governance Statement, in order to give the committee assurance that it is robust. It also describes the evidence that is available to the committee, as appendices and elsewhere, to undertake a critical review of the Statement.
7. Appendix A is taken from the Finance Advisory Network's 'Rough Guide to the Annual Governance Statement' and shows the framework of assurance gathering that they recommend in the production of the statement. This is included, and the method followed compared with it, in order to give the committee confidence that the assurance offered is reasonable.
8. Appendix A shows the requirement for a framework of key documents and process guidelines, and a requirement for a series of assurances, relating to the effective operation of the framework. There is then an evaluation of those assurances by a corporate group with responsibility for drafting the Annual Governance Statement, and that group put the Statement to Committee for approval. The statement includes a report on the review of the effectiveness of the system of Internal Audit, and the Committee should also be able to receive verbal input from External Audit prior to approving the statement.
9. The corporate group referred to in the previous paragraph is the Risk and Internal Control Group (RIC), chaired by the Head of Corporate Finance, and comprising the Heads of Resources and Performance from each department, the Head of Strategic Planning, Policy and Performance, the Head of Legal Services, the Exchequer Services Manager (until 1st June 2010) and the Audit Manager. The draft Statement has been reported to, and endorsed by, the Corporate Leadership Management Team.
10. Set out below are:
 - a) the key documents/process guidelines referred to in Appendix A, together with brief notes on what has been done in relation to them in 2009-10;
 - b) the types of assurance referred to in Appendix A, with a brief note on each.

Key Documents/Process Guidelines

11. **Performance Management** – there are monthly reviews. Full quarterly reports are produced for Executive, integrated with financial monitoring. The detailed reports were reviewed and streamlined to make them more readable during 2009-10.
12. **Business strategy and planning process** – the Corporate Plan for 2009-10 to 2011-12 was produced in the year, aligned with the sustainable

communities strategy and other key planning documents. Service plans are produced linking to that overall planning framework, detailed team targets link in to service planning, and appraisals link with the team targets.

13. **Budget and budgetary control** – there is an annual budget process with a 5 year medium term financial plan and capital programme updated yearly, within a financial strategy linked to the corporate plan and sustainable communities strategy. Monthly budgetary control uses actuals to date to make predictions for the year. Quarterly reports are made to members (see 11, above).
14. **Code of corporate governance** – this was updated at the December 2007 Audit and Governance Committee, and the annual review for the production of the governance statement has this as its base.
15. **Project management/risk management/counter fraud policy.** The officer major projects sub group co-ordinates the management of major projects. The risk management strategy is updated annually, a corporate risk register is reported quarterly to members, and risks are regularly reviewed by the RIC group and the lead officers for each risk. Departmental risk registers are maintained and the risk software ensures reminders are sent to managers to review and update their risk management on a regular basis. Counter fraud has been a major focus in 2009-10, including a fraud alert week with the aim of ensuring that fraud awareness is a corporate issue rather than being limited to areas such as housing benefits.
16. **Ethical governance.** The former Chief Executive focussed on making the council a values-driven authority, not just an authority with values. The Standards Committee addresses the member issues, and regularly reviews full Council debates.
17. **Policies, procedures, codes of conduct.** These are available on the intranet. When they are introduced or refreshed, each is assessed in terms of its equality impact.
18. **Partnership protocol** – available on the intranet under 'Being a Manager' – 'Financial Information' – 'partnerships and external working'.

Assurances

19. **Performance Management and Data Quality.** This establishes current performance levels. Revenues performance was identified as of major concern at the start of 2009-10 and by the year end had exceeded targets. Housing was given a red flag by the Comprehensive Area Assessment and a robust improvement plan has been prepared. Work has continued amongst performance staff to ensure that the importance of data quality is recognised throughout the Council.
20. **Risk management.** The corporate risk register shows the major generic risks and these have been subject to review during the year, as have the departmental and project risks.

21. Legal and regulatory assurance. The Monitoring Officer and Section 151 officer have both confirmed that there have been no notices issued regarding unlawful expenditure, or issues that might have given rise to unlawful expenditure or action. The legal and financial implications of each Executive report are checked by legal and financial staff prior to the reports being released.
22. Members' assurance. Provided via the reviews of this committee, Standards Board, and Scrutiny committees.
23. Assurances by the Corporate Leadership Management Team and Service Heads. Each has signed a statement of governance (SoG) after answering a series of questions about the governance and internal control of their services. For each question where they could not give a yes answer, an action plan is required which is to be incorporated into their service plan, and monitored.
24. Other sources of assurance (including third-party). The major assurance in this category is external inspections by independent inspectors. The committee is entitled to rely heavily on detailed, independent inspections, and in 2009/10 these included the Corporate Area Assessment, the reviews of Adult Social Services and Children's Services, and the review of Housing Landlord services (said to be 'fair' with 'promising' prospects for improvement).
25. Financial control assurance via the final accounts audit undertaken by Grant Thornton. There were no major issues of concern relating to financial control, although the audit raised issues regarding the reconciliation of the valuation certificate to the fixed asset register, an issue which has been an important consideration in the 2009-10 accounts closure process.
26. Internal Audit. The service reports regularly to this committee, and its work is subject to review by external audit. It has also carried out a self-assessment based on the Cipfa checklist.
27. External Audit. The key review of control and governance by the external auditor is the annual audit letter, which did not reveal any significant concerns. The External Auditor is due to be present at the meeting, and can comment further.

The Annual Governance Statement

28. The AGS is in 5 parts, which are intended to address the following issues:
 - The scope of the Council's responsibilities for good governance
 - The purpose of the governance framework
 - An outline of the framework (this section has 14 sub-sections)
 - A review of the effectiveness of governance during 2009-10
 - The significant governance and control issues that have arisen, that need to be addressed.

29. The effective operation of the governance and internal control system is fundamental to the Council's working. It is intended to focus the Council on achieving its aims in a proper and effective manner, minimising the chances of fraud and corruption.

Significant Governance and Internal Control Issues

30. There are 7 significant governance and control issues set out in paragraphs 5.1 to 5.7 of the Statement. It is essential that the action plans are monitored during 2009-10, to ensure effective actions are taken.

FINANCIAL IMPLICATIONS

31. There are no specific financial implications arising directly from the creation of the Annual Governance Statement .

LEGAL IMPLICATIONS

32. There are no specific legal implications arising from this report, and this has been agreed with Richard Stevens, Head of Legal Services on June 2010.

RISK IMPLICATIONS

33. The Annual Governance Statement is a key document in the Council's risk management process. The significant governance and internal control issues raised need to be adequately addressed during 2010-11 in order to continue to improve the Council's risk management.

LIST OF BACKGROUND PAPERS

LOCAL GOVERNMENT ACT 1972, SECTION 100D

2009-10 Statements of Governance, held by each Head of Service and Corporate Director.

Reviews by the Head of Corporate Finance and by the Head of Legal Services, held by the Head of Corporate Finance, telephone 01582 546087.