

Audit and Governance Committee

26 June 2008

Report of the Assistant Director (Audit and Risk Management)

2007/08 Annual Governance Statement

Summary

- 1 The purpose of this report is to allow consideration of the draft 2007/08 Annual Governance Statement (AGS), which is to be published with the Statement of Accounts.

Background

- 2 As reported to the last meeting of this Committee (on 13 May 2008), the Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to conduct a review of the effectiveness of its system of internal control and to publish a Statement of Internal Control (SIC) as part of the annual accounts.
- 3 CIPFA/SOLACE originally published a guidance document for local authorities in 2001, called *Corporate Governance in Local Government: A Keystone for Community Governance*. The guidance was not mandatory but was intended to help authorities to develop and maintain strong governance arrangements.
- 4 In 2007, CIPFA/SOLACE published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework*' set out six core principles of governance which authorities are required to adopt. In accordance with this requirement, the Council adopted a new local Code of Governance in September 2007 which reflected the new CIPFA/SOLACE framework.
- 5 The new guidance also introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC (from 2007/08 onwards). In preparing the AGS it is necessary to address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

2007/08 Annual Governance Statement (AGS)

- 6 Internal Audit has completed its review of the Council's governance arrangements and systems of internal control. This has involved each Directorate completing a self assessment of the key controls within their

respective areas. The Chief Executive and Directors have also been required to complete and sign Assurance Statements, using information obtained from the review of key controls and associated evidence. A similar self assessment of Corporate key controls has been undertaken and reported to Corporate Management Team, and the S151 Officer and Monitoring Officer have been asked to complete and sign disclosure statements. In addition, Internal Audit has also gathered and reviewed other documentary evidence to identify possible control weaknesses (for example, the corporate risk register, internal and external audit reports and other inspection reports).

- 7 Group Leaders, the Executive Member and Shadow Executive Member for Corporate Services, the Chairs of Corporate Services EMAP, Standards Committee and the Scrutiny Management Committee, together with Members of the Audit and Governance Committee, were asked to provide details of any significant control issues which they were aware of, for possible inclusion in the 2007/08 AGS.
- 8 Internal Audit has also reviewed the progress which has been made to address the nine significant control issues identified in the 2006/07 SIC. In all cases work is ongoing to improve the relevant governance arrangements and control framework. The results of this follow up review were reported to the last meeting of this Committee. However, for some of the control issues there is still insufficient evidence that the new or improved control arrangements are fully embedded across the Council, and these issues have therefore been included in the draft 2007/08 AGS.
- 9 Local authorities are required to use judgement in deciding whether control weaknesses are significant and hence require disclosure in the AGS. The Officer Governance Group has therefore evaluated all the control issues identified through the review process and has considered which should be disclosed in the AGS as a significant control weakness. A control weakness is considered to be significant where;
 - a) the issue has seriously prejudiced or prevented achievement of a principal Council aim or objective;
 - b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from another aspect of the Council's services;
 - c) the issue has led to a material impact on the accounts;
 - d) the Audit and Governance Committee has advised that it should be considered significant for this purpose;
 - e) the Chief Internal Auditor has reported on it as significant in the annual opinion on the Council's internal control environment;
 - f) the issue, or its impact, has attracted significant public interest or has seriously damaged the Council's reputation;

- g) the issue has resulted in formal action being taken by the S151 Officer and/or the Monitoring Officer.
- 10 Corporate Management Team considered the significant control issues which had been identified, together with the draft 2007/08 AGS on 4 June 2008.
- 11 A copy of the draft 2007/08 AGS is attached at annex 1. The draft includes 9 significant control issues. The AGS is scheduled to be signed by the Leader and the Chief Executive following approval by Council on 30 June. Once approved and signed it then needs to be published as part of the 2007/08 Statement of Accounts.

Monitoring of SIC Action Plans

- 12 Responsibility for each significant control issue has been assigned to a named director. The directors concerned have also been required to prepare more detailed action plans even if the full details are not included in the published version of the AGS. Directorates are also preparing action plans to address any control weaknesses identified in their directorate self assessments. Progress to deliver these action plans will be monitored by Internal Audit, and reported to OGG on a quarterly basis.

Consultation

- 13 Not relevant for the purpose of the report.

Options

- 14 Not relevant for the purpose of the report.

Analysis

- 15 Not relevant for the purpose of the report.

Corporate Priorities

- 16 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

- 17 The implications are;
- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the AGS.
 - **Human Resources (HR)** – there are no HR implications to this report.

- **Equalities** - there are no equalities implications to this report.
- **Legal** - there is a legal requirement for the Council to publish a Annual Governance Statement as part of the annual Statement of Accounts.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

- 18 The Council will fail to comply with legislative requirements if it does not publish a Annual Governance Statement with the annual Statement of Accounts. The Council would be criticised by the external auditor if the process followed to prepare the Annual Governance Statement was not sufficiently robust. This in turn would adversely impact on the Council's CPA score for the Use of Resources.

Recommendation

- 19 Members are asked to;
- Consider and comment on the content of the draft 2007/08 AGS, particularly the significant control issues identified and the action plan to address those weaknesses;

Reason

To enable Members to consider the contents of the draft AGS, and in particular the significant control issues identified.

- Note the monitoring arrangements for the overall AGS action plan and the individual action plans for each Directorate.

Reason

To enable Members to comment on the proposed monitoring arrangements

Contact Details

Author:

Max Thomas
Audit and Fraud Manager
Audit and Risk Management
Telephone: 01904 552940

Chief Officer Responsible for the report:

Liz Ackroyd
Assistant Director (Audit and Risk Management
Telephone: 01904 551706

Report Approved



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- CIPFA/SOLACE – ‘Delivering Good Governance in Local Government’ – Framework and Guidance Note for English Authorities
- Accounts and Audit Regulations 2003 (as amended)
- CIPFA guidance – ‘The Annual Governance Statement’ – Meeting the Requirements of the Accounts and Audit Regulations 2003 (as amended 2006)

Annexes

Annex 1 – draft 2007/08 Annual Governance Statement