

## **Audit and Governance Committee**

26 April 2010

Report of the Assistant Director of Customer & Business Support Services  
(Customer Service & Governance)

### **Draft Annual Governance Statement 2009/10**

#### **Summary**

- 1 The purpose of this report is to allow consideration of the draft 2009/10 Annual Governance Statement (AGS), which is to be presented as part of the Statement of Accounts for 2009/10 at the next meeting of this committee on 29 June 2010. The draft AGS is attached as Annex A.

#### **Background**

- 2 The Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to conduct a review of the effectiveness of systems of internal control and to publish Statements of Internal Control (SIC) as part of the annual accounts.
- 3 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 has a local Code of Governance which reflects the CIPFA/SOLACE framework.
- 4 The Framework 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.
- 5 The AGS is now required to include a specific statement on whether the council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. This statement is included in paragraphs 3.12 and 3.13 of the AGS.

## **Draft Annual Governance Statement 2009/10**

- 6 A range of sources of evidence have been reviewed by the Officer Governance Group in compiling the AGS including consideration of the following:
  - (a) significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies;
  - (b) the results of internal audit and fraud investigation work undertaken during the period;
  - (c) the Review of the Effectiveness of Internal Audit;
  - (d) the results of the review of 2008/09 and draft initial findings of the 2009/10 Use of Resources assessments;
  - (e) the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks;
  - (f) the council's risk register and any other issues highlighted through the council's risk management arrangements including the review of significant partnership governance arrangements;
  - (g) the outcomes of service improvement reviews (now known as the MoreforYork programme) and performance management processes;
  - (h) progress in dealing with control issues identified in the 2008/09 Annual Governance Statement.
  
- 7 Information from the following further sources will be considered prior to the final draft being presented for approval on 29 June 2010, but these sources are not yet available, due to the closeness of this report to the end of the last financial year:
  - (a) any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director;
  - (b) any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer;
  - (c) any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor.
  
- 8 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.
- 7 The draft AGS at Section 5 includes 6 new significant control issues and 3 areas of ongoing work from the 2008/09 AGS. Once the agreed AGS is approved and signed it will be published as part of the 2009/10 Statement of Accounts.

### **Monitoring of AGS Action Plans**

- 8 The council is keen to seek to streamline the number of improvement plans in place where the actions/outcomes are the same. It is not intended, therefore, to have a separate plan for the AGS. The items included in the 2010/11 Improvement Plan will be monitored quarterly by Executive when monitoring the Corporate Strategy as part of the council's performance management framework. The items covered by Directorate Plans will be monitored by the Director of Customer & Business Support Services who also chairs the Officer Governance Group (OGG) which will have oversight of the progress of all AGS actions.

### **Consultation**

- 9 Corporate officers have contributed to this report where appropriate.

### **Options**

- 10 Not relevant for the purpose of the report.

### **Analysis**

- 11 Not relevant for the purpose of the report.

### **Corporate Priorities**

- 12 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It specifically contributes to the Effective Organisation priority in the Corporate Strategy.

## Implications

13 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 an 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

14 The council will fail to comply with legislative requirements if it does not publish an 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 CAA score for the Use of Resources.

## Recommendation

15 Members are asked to:

- (a) Consider and comment upon the content of the draft AGS 2009/10, particularly the significant control issues identified to inform the final statement to be presented to the Committee on 29 June 2010;

### Reason

*To enable Members to consider the effectiveness of the council's governance framework, and in particular the significant control issues identified in advance of approving the final statement in June 2010.*

- (b) Note the monitoring arrangements for the overall AGS action plan items.

Reason

*To enable Members to comment on the proposed monitoring arrangements.*

**Contact Details**

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**Report Approved**



**Date** 15 April 2010

**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’ (2007)
- CIPFA/SOLACE – Application Note to Delivering Good Governance in Local Government: a Framework (March 2010)
- 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)
- 2008/09 Annual Governance Statement
- CIPFA – The role of the Chief Finance Officer (2010)

**Annexes**

Annex A – Draft Annual Governance Statement 2009/10