

Audit and Governance Committee

28 June 2012

Report of the Director of Customer & Business Support Services

Annual Governance Statement 2011/12

Summary

- 1 The purpose of this report is to present the Annual Governance Statement (AGS) 2011/12 for approval. The AGS is attached as Annex A and a signed version as agreed by the Leader and Chief Executive of the council will accompany the Statement of Accounts 2011/12.

- 2 As was reported to this committee in April 2011, changes have been made to the approval process for the Statement of Accounts. In 2011/12, the AGS continues to form part of the Statement of Accounts, however it is now considered as an accompanying document rather than a core statement. The Draft Statement of Accounts will be approved by the S151 Officer by the 30th June and will be reviewed by this Committee at the meeting in July 2012. The final version of the Statement of Accounts will be approved by this Committee, at the meeting in September 2012.

Background

- 3 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.

- 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 has a local

Code of Governance which reflects the CIPFA/SOLACE framework.

- 5 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.

Preparation Process

- 6 In compiling the 2011/12 AGS, a range of sources of evidence have been gathered and analysed. These have then been reviewed by the Officer Governance Group to consider 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 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;
 - (e) any issues highlighted as key corporate risks in the council's risk register;
 - (f) progress in dealing with control issues identified in the 2010/11 Annual Governance Statement.
 - (g) any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director;
 - (h) any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer;
 - (i) any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor.
- 7 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 have

therefore evaluated all the control issues identified through the review process and 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.
- 8 The items that OGG have agreed meet the criteria above have been published within Section 5 of the AGS. This year there are 6 items in total, with no new significant issues, but a refocus on a number of existing issues to take into account new developments.

Monitoring of AGS Action Plans

- 9 As was agreed in approving the 2009/10 AGS, there will not be a separate action place for the AGS. Instead, the items will be monitored in the named lead directorate areas with the Officer Governance Group (OGG) having oversight and regularly monitoring the progress of all AGS actions.

Consultation

- 10 Not relevant for the purposes of this report

Options

11 Not relevant for the purpose of the report.

Analysis

8 Not relevant for the purpose of the report.

Corporate Priorities

9 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

10 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

11 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.

Recommendation

- 12 Members are asked to consider and approve the AGS 2011/12, particularly the significant governance issues identified in section 5 of the Statement.

Reason

To enable Members to consider the effectiveness of the council's governance framework, and in particular the significant control issues.

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**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’ (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)
- 2010/11 Annual Governance Statement
- CIPFA – The role of the Chief Finance Officer (2010)

Annexes

Annex A – Draft Annual Governance Statement 2011/12