

AUDIT COMMITTEE	AGENDA ITEM No. 7
9 FEBRUARY 2009	PUBLIC REPORT

Committee Member(s) responsible:	Councillor Hiller, Chair of Audit Committee	
Contact Officer(s):	John Blair, Head of Strategic Finance Steve Crabtree, Chief Internal Auditor	☎ 384 564 ☎ 384 557

ANNUAL GOVERNANCE STATEMENT UPDATE

R E C O M M E N D A T I O N S	
FROM : John Harrison, Director of Strategic Resources	Deadline date : N/A
The Committee is asked to note:	
<ol style="list-style-type: none"> 1. The review and progress report on the significant governance issues reported in the Annual Governance Statement 2008 2. The proposed method that will be adopted in the completion of the 2008 / 2009 Statement. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its agreed Work Programme for 2008 / 2009.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 2.2 The Annual Governance Statement (AGS) explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2003, as amended by the Accounts & Audit (Amendment) Regulations 2006, which require the Council to publish an AGS.
- 2.3 The purpose of this report is to update members on the progress being made by officers in addressing those governance issues reported in the Council's AGS in 2008.
- 2.4 The AGS brings together all of the council's strategies, initiatives and work plans. It provides the basis from which the council can fulfil its role as a community leader in Peterborough.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. PROGRESS AND FUTURE DEVELOPMENT

- 4.1 Regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended) requires audited bodies to conduct a review at least once a year of the effectiveness of its systems of internal control, and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. Internal control is one of the five key lines of enquiry that make up the Use of Resources Assessment, which contributes to the Council's Corporate Performance Assessment (CPA) (Comprehensive Area Assessment from April 2009).
- 4.2 A report of the Chief Internal Auditor to the meeting of the Audit Committee on 31 March 2008 set out the approach to conducting the review of the effectiveness of the Council's governance framework including the system of internal control. In addition, further details are contained within the Audit Committee Handbook.
- 4.3 A further report on 2 June 2008 provided the conclusions to the review and the draft AGS was submitted for comment and challenge. Following a number of amendments suggested at this meeting, together with additional comments from Corporate Management Team, the AGS was formally reviewed and approved by the Audit Committee on 30 June 2008. Subsequently, this enabled the Leader of the Council and the Chief Executive to authorise the document on behalf of the Council for inclusion in the Statement of Accounts for 2007 / 2008.
- 4.4 This report provides an update to the action plans and progress made in resolving the significant governance issues. The details are included in the Appendix to this report.
- 4.5 2007 / 2008 was the first year that Councils were required to publish an AGS. Previously there was an obligation to produce a Statement on Internal Control (SIC). The AGS expanded on the detail that had been required by the SIC, as it reviews the governance framework that is in operation within the Council. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It sets out the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 4.6 The AGS is audited as part the annual audit of the Statement of Accounts by external audit. The external auditor reviews whether the AGS reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA / SOLACE in June 2007. They are obliged to report if it does not comply with proper practices specified by CIPFA / SOLACE or if the statement is misleading or inconsistent with other information that they are aware of from their audit of the financial statements. In its annual report, the External Auditor issued an unqualified opinion on all financial statements including the AGS.
- 4.7 It is therefore proposed that the same format of presenting the AGS will be adopted in 2008 / 2009 as was used in 2007 / 2008. This approach will be revised if any additional guidance and / or requirements are announced in relation to the AGS.
- 4.8 It is also intended to use the same process for collating the information and gathering evidence regarding the effectiveness of the governance framework in operation within the Council with the Chief Internal Auditor as the lead officer. However, it is intended to start the process earlier in order to ensure a thorough review is undertaken, and all relevant personnel are involved.

- 4.9 To ensure that the 2008 / 2009 AGS is an accurate and true representation of how the Council delivers good governance and reviews the effectiveness of these arrangements, the procedures identified below will be part of the compilation of the AGS:
- Regular meetings will take place with the Chief Internal Auditor and relevant officers in Strategic Finance, so that any potential issues arising from Internal Audit reviews are identified early;
 - Regular meetings with the Monitoring Officer and relevant officers within Strategic Finance will take place to review any monitoring reports that have been submitted and to identify any other potential issues that may have arisen;
 - Regular meetings with the Section 151 Officer and relevant officers within Strategic Finance will take place to highlight any potential issues; and
 - Effective challenge of Statements received by Directorates in respect of their Assurance Statements will take place by relevant officer within Strategic Finance, together with the compilation of appropriate evidence that support their responses.

5. CONCLUSIONS

- 5.1 The detailed analysis provided in the Appendix highlights significant progress in addressing the issues raised in the AGS 2008.
- 5.2 By its very nature, much of the work will need to continue to ensure the successful delivery of key projects. However, these projects are benefiting from enhanced programme management processes, regular testing and discipline providing a firm foundation for successful delivery.
- 5.3 Certain key areas have seen significant improvement but remain a priority, for example data security arrangements where a statutory deadline of 31 March 2008 is in place.
- 5.4 Appropriate arrangements have been established to ensure the 2008 / 2009 AGS can be produced to timescale.

6. CONSULTATION

Circulated to senior management for information and approval.

7. ANTICIPATED OUTCOMES

Approval of progress made to date and the plans being adopted to take forward for the production of future statements.

8. REASONS FOR RECOMMENDATIONS

- 8.1 The production of the AGS is a requirement of the Accounts and Audit Regulations 2003 (as amended). In addition, the internal control systems contribute to the overall CPA scoring of the Council. A strong assurance framework is a significant factor in the achievement of an improved score.
- 8.2 The Audit Committee is responsible for approving the AGS for inclusion in the Statement of Accounts. To approve the AGS the Committee needs to have assurances that the council's governance arrangements are adequate. This report has outlined the progress made on actions from 2008.

9. ALTERNATIVE OPTIONS CONSIDERED

None considered. Non-compliance would result in the council not meeting best practice processes.

10. IMPLICATIONS

Financial implications:

- There are no direct financial implications arising directly from this report. However, significant resources in the form of officer time will have been required to draw up and put in place action plans to address the reported governance issues and improve the areas where the weaknesses in the systems of internal control.

Legal implications:

- The AGS complies with the requirements of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. The Council is required to test its governance arrangements against the principles contained in the CIPFA / SOLACE framework "*Delivering Good Governance in Local Government*". The CIPFA / SOLACE document also requires the Council to provide an outline of action taken, or proposed, to deal with significant governance issues. The Council's AGS 2008 contained such a statement.

BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Accounts and Audit (Amendment) (England) Regulations 2006

CIPFA / SOLACE Framework "*Delivering Good Governance in Local Government*" June 2007

Annual Governance Statement 2007 / 2008

Audit Committee Handbook