

AUDIT COMMITTEE	AGENDA ITEM No. 7
29 MARCH 2010	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

ANNUAL GOVERNANCE STATEMENT

RECOMMENDATIONS	
FROM : John Harrison, Executive Director Strategic Resources	Deadline date : N/A
1. The Committee is asked to note the proposed process for the Annual Governance Statement 2009/2010 encompassing Executive Director's Assurance Statements and Members' Assurance Questionnaires.	

1. ORIGIN OF REPORT

The report is presented to the Audit Committee in accordance with its work programme.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Committee needs to review the corporate governance arrangements of the Council and annually review its Governance Statement.
- 2.2 This report set out the background to the Annual Governance Statement and the process to be followed to compile this years. An update was previously provided to the Committee on 2 November 2009 on progress against the previous Action Plan.

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. BACKGROUND

- 4.1 Authorities are required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk. The arrangements should enable the organisation to respond appropriately to significant business, operational, financial compliance and other risks, so that it can achieve its objectives.
- 4.2 Governance is about how organisations ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Governance comprises the systems, processes, culture, and values by which organisations are directed and controlled and through which they account to, engage with and lead their communities. Governance concerns everybody and covers the whole authority.

- 4.3 Each authority is required to publish an Annual Governance Statement, describing its governance arrangements and encompassing such items as the policies, procedures, tasks, behaviours and other aspects of the organisation that together facilitate its operation.
- 4.4 A Statement of Corporate Governance assists in providing the Council with the assurance that proper arrangements are in place to ensure that the Council's business is conducted in accordance with the law, proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
- 4.5 The requirement arises from reports on corporate governance including the Cadbury, Nolan and Turnbull reports and is required by regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, which require that a review of arrangements be conducted, and that they be submitted to a committee of Members once a year.
- 4.6 The Code of Corporate Governance was adopted by our Council through this Committee on 31 March 2008. The Code is based on the framework produced by CIPFA / SOLACE, which were taken from the Good Governance Standard developed by the independent Commission on Good Governance in Public Services with support from the Office for Public Management (OPM), CIPFA and the Joseph Rowntree Trust.
- 4.7 The Code has 6 core principles:
- Focusing on the purpose of the authority and outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risks;
 - Developing the capacity and capability of Members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability
- 4.8 The Code requires Councils to:
- Review their existing governance arrangements;
 - Develop and maintain an up to date local code including arrangements for ensuring its ongoing application and effectiveness; and
 - Prepare a governance statement in order to report publicly on the extent to which they comply with their own Code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and any planned changes for the forthcoming year.
- 4.9 The Annual Governance Statement is a key corporate document describing the Council's control framework, the process for evaluating business risk and the procedures and processes applied to manage those risks. It is the culmination of the Authority's continuous review of its systems, policies and procedures and the process of compiling it is more important than the document itself.
- 4.10 Of course, no system of review can give full assurance that all risks have been minimised and all controls have been operating effectively throughout the year, only reasonable assurance can be given.

5. PROCESS TO BE FOLLOWED FOR THE REVIEW OF 2009/2010

- 5.1 Coordination is driven through the Strategic Governance Board - as reported to members on 2 November 2009. The Board is made up of various key officers within the authority, chaired by the Solicitor to the Council, along with the Cabinet Member for Resources and Chairs of Audit Committee and Standards Board.
- 5.2 Last year we required all Directors and Heads of Service to complete an Assurance Statement, and this year we are amending this to Executive Directors, who will complete one on behalf of all of their services. The expectation is that they will undertake this together with their managers as a team exercise. This is simpler and enables the development of mutual support and the spread of best practice. The Statement they will need to complete has been updated to reflect current circumstances and the guidance for managers is attached at **Appendix A**.
- 5.3 We are also to ask Members to complete a questionnaire which seeks their views on key governance arrangements. The questionnaire is included at **Appendix B** and is focussed on a number of key governance areas. In order to test out the approach, and to keep the process manageable (given that we have 57 Members) in the first instance the focus will be on Chairs / Vice Chairs of all Committees to complete the document. Cabinet has been excluded from this initial survey as Executive Members have on balance an opportunity to influence arrangements more than other Members.
- 5.4 The Assurance Statements from Directors and the completed questionnaires from Members will then be summarised and the actions for improvements for next year will be compiled as part of the Annual Governance Statement.
- 5.5 In order to draft the Annual Statement, a variety of evidence will be used as documented in the Audit Committee Handbook.
- 5.6 In compiling the Statement for 2009/2010 we will also take on board the feedback we received from PricewaterhouseCoopers who as our external auditors reviewed out last Statement. We have also contacted Councils who have identified good practice so that we can learn from others to improve our own.

6. CONSULTATION

The questionnaires have been circulated to Solicitor to the Council for comment and approval.

7. ANTICIPATED OUTCOMES

Inform Audit Committee of the processes in place to mitigate risks for the delivery of the council's objectives.

8 REASONS FOR RECOMMENDATIONS

In accordance with best practice.

9. ALTERNATIVE OPTIONS CONSIDERED

None.

10. IMPLICATIONS

Financial:

There is a cost to ensuring good governance, but these are included in the costs of leadership and management. The streamlining of the Managers' assurance statements should assist in keeping the cost of the process down, as will the selection of Members to complete the Members' questionnaire.

Strategic Objectives:

Good governance is a key part of ensuring the delivery of the Strategic Plan.

Legal:

By not reviewing the governance arrangements would result in non-compliance with the Accounts & Audit regulations and the failure to include an Annual Governance Statement for inclusion in the Statement of Accounts. Regular reviews of the action plan have been established to ensure full compliance with Code of Practice and timescales appropriately monitored to deliver.

BACKGROUND DOCUMENTS

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

Reports to Audit Committee

Annual Governance Statement 2008/2009.