

Meeting: Audit Committee

Agenda Item: 7

Portfolio Area: Resources

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ANNUAL GOVERNANCE STATEMENT 2009/10

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1. PURPOSE

That Members review the Council's Annual Governance Statement prior to its inclusion in the 2009/10 accounts.

2. RECOMMENDATIONS

That the 2009/10 Annual Governance Statement be reviewed and any comments from the Audit Committee be presented to the Audit Committee at its next meeting on 28 June 2010.

3. BACKGROUND

3.1. Regulation 4 of the 2003 Accounts and Audit Regulations requires that:

- The Council shall be responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include such a statement in its Statement of Accounts.

3.2. The Accounts and Audit (Amendment) (England) Regulations 2006 introduced the following requirements:

- The findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body meeting as a whole
- To review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole.

- 3.3. In August 2006, the Department for Communities and Local Government further clarified what was considered 'proper practice', alongside a publication called, Delivering Good Governance in Local Government: Framework and Guidance, produced by CIPFA/SOLACE.
- 3.4. The significance for local authorities was the clarification that the Annual Governance Statement (AGS) is assigned proper practice status and therefore has statutory backing. The Annual Governance Statement replaced the Statement on Internal Control from 2007/08 and the 2009/10 AGS is detailed in Appendix One.
- 3.5. The Council is required to produce group accounts within the statement of accounts, for Stevenage Homes Limited (SHL), the Council's Arms Length Management Organisation (ALMO). SHL have produced their Annual Governance Statement, which will be approved (subject to review) by the SHL Audit Committee on the 1 July 2010 and this is detailed in Appendix Two.
- 3.6. The CIPFA/SOLACE Framework for the AGS focuses on the six key principles of corporate governance. The Framework document commands each local authority to prepare and adopt a framework to assist in developing and maintaining their own governance arrangements and discharge their responsibility for proper conduct of public business.
- 3.7. As part of the framework, Council's need to adopt a local Code of Corporate Governance that sets out a commitment to corporate governance and how they will demonstrate and implement that Code. 2007/08 was the first year of implementation. The Audit Committee approved the Council's local code on 17 March 2008 and embraced the CIPFA/Solace framework
- 3.8. The code has been updated during 2009/10 to reflect current procedures and is detailed at Appendix Three.
- 3.9. Within Stevenage Borough Council, Corporate Governance operates to:
- Establish and monitor the Council's vision and objectives
 - Facilitate policy and decision making
 - Ensure compliance with policies, procedures, law and regulations
 - Ensure the economic, efficient and effective use of resources and secure continuous improvements
 - Enable the financial management of the Council and financial reporting
 - Support delivery of high quality services and effective performance management
 - Identify and manage the Council's risks
- 3.10. The six key principles are:

- A clear definition of the authority's purpose and desired outcomes: focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Well defined functions and responsibilities: Members and officers working together to achieve a common purpose with clearly defined functions and roles
- An appropriate corporate culture: promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Transparent decision making: taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- A strong governance team: developing the capacity and capability of members and officers to be effective
- Real accountability to stakeholders: engaging with local people and other stakeholders to ensure robust public accountability.

3.11. The framework sets out a clear path for what authorities need to do to achieve Good Governance by applying the recommended principles. These actions are summarised below:

- Review existing governance arrangements against the CIPFA/SOLACE model Framework
- Develop and maintain an up to date local code of governance, including arrangements for ensuring its ongoing application and effectiveness
- Prepare a governance statement for inclusion in the 2009/10 Statement of Accounts
- Consider the extent to which the Council complies with the principles and requirements of good governance as set out in the model
- Identify systems, processes and documentation that provide evidence of compliance
- Identify the individuals and Committees responsible for monitoring and reviewing the systems, processes and documentation identified
- Identify the issues that have not been addressed adequately in the Council and consider how they should be addressed
- Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

3.12. Assurance required all Heads of Service to complete, certify and return a Service Based Governance Statement. A summary of the progress made against actions identified in 2008/09 and the common areas of concern are detailed in Appendix Four.

- 3.13. The control environment is evidenced by a number of policies and plans, which are the 'Corporate Backbone' of the Council. A list of the documents is attached at Appendix Five for information.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1. The Annual Governance Statement (AGS) forms part of the Statement of Accounts which will be presented to the Audit Committee on 28 June 2010 and then recommended to Statement of Accounts Committee on 28 June for approval. In accordance with best practice the AGS has to be reviewed and approved by the Audit Committee as the Council's Committee responsible for receiving audit reports before its inclusion in the Statement of Accounts.
- 4.2. The proposed AGS for 2009/10 is attached at Appendix One. The statement is intended to demonstrate public assurance that the Council has sound governance arrangements, including a sound system of internal control, designed to help manage and control business risk. The document is an important public expression of what the Council has done to put in place good business practice, high standards of conduct and sound governance.
- 4.3. To support the Annual Governance Statement and the assurance process, all Heads of Service have completed, certified and returned a Service Based Governance Statement, Heads were required to:
- Assess how effectively the control environment operated during 2009/10 in respect of the service areas for which they have responsibility
 - Review the operation of the Council's system of internal control, within their service area, including risk management and supply evidence to support the statements.
 - Review progress made against the actions for 2008/09 and set out any new actions necessary to improve weaknesses identified.
- 4.4. The draft 2009/10 AGS (Appendix One) has been reviewed by the Strategic Director of Resources. It has been reviewed by Internal Audit and also had input from SHL management. The latter is required because there is a statutory requirement where a Council has a group relationship in its Statement of Accounts, the AGS also covers all group activities.

5. IMPLICATIONS

5.1. Financial Implications

- 5.1.1. None arising directly from this report
- 5.1.2. A strong internal control environment contributes to the overall effective management of the Council and will minimise the risks of the Council failing to achieve its ambitions and priorities, and service improvements.

- 5.1.3. Robust scrutiny of the Council's Annual Governance Statement and Framework in line with best practice will further strengthen the Council's sound base of strong financial management and assist in reducing risk.

5.2. Legal Implications

It is a requirement for the Council to publish an Annual Governance Statement

5.3. Risk Implications

Without robust governance arrangements, there are potential service continuity and reputation risk implications.

5.4. Other Implications

All aspects of the work of the Council are affected by the corporate governance regime as well as the Council's partners in service delivery and other agencies with which the Council shares information. External bodies, in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust corporate governance arrangements that are fully embedded.

6. BACKGROUND DOCUMENTS

- CIPFA/SOLACE document – Delivering Good Governance in Local Government
- Stevenage Borough Council – the Local Code of Corporate Governance
- Audit Commission – Annual Audit and Inspection Letter

7. APPENDICES

- Appendix One – Annual Governance Statement 2009/10
- Appendix Two – SHL's Annual Governance Statement 2009/10 (report has 2 appendices)
- Appendix Three – Annual Governance Statement: Framework for compiling the AGS
- Appendix Four – Summary of findings from Service Based Governance Review 2009/10
- Appendix Five – Corporate Governance Backbone