

Meeting: AUDIT COMMITTEE

Agenda Item:

Date: 16 January 2008

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REVIEW OF INTERNAL CONTROL/ANNUAL GOVERNANCE STATEMENT

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1. PURPOSE

- 1.1 To agree how the Council prepares and develops a Corporate Governance Framework in order to meet the new statutory requirement of producing an Annual Governance Statement in the Statement of Accounts.

2. RECOMMENDATIONS

The Audit Committee approve the proposals to:

- 2.1 Adopt a framework for '*Good Governance in Local Government*'.
- 2.2 Implement a Local Code of Corporate Governance and support the approach to implementation as set out at 4.2 in this report.
- 2.3 Submit a Local Code of Corporate Governance Framework to the Audit Committee on 17 March 2008.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2003 required local authorities to publish a statement on internal control (SIC) with their financial statements. Best Practice also recommended that the SIC should be reviewed by an Audit Committee on an interim basis during the year. On this basis a report was submitted to the Audit Committee on 27 September 2007. However Regulation 4(2) of the Accounts and Audit (Amendment) Regulations 2006 now require authorities to prepare and publish an annual governance statement in accordance with an approved framework. This will form part of the Statement of Accounts and replaces the SIC with effect from 2007/08.
- 3.2 A report was submitted to Strategic Management Board on 25 September 2007 outlining the new requirements. SMB agreed that the process should be co-

ordinated by Head of Finance, Head of Legal and Head of Policy, Performance and Partnerships and a key element would be the completion of a self assessment exercise.

3.3 CIPFA (Chartered Institute of Public Finance and Accounting) in conjunction with SOLACE (Society of Local Authority Chief Executives) have produced a framework for Corporate Governance in Local Government (Delivering Good Governance in Local Government). This framework document focuses on the six key principles of corporate governance and has been endorsed by the Government, LGA and the Audit Commission. 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.

3.4 Councils need to adopt a Local Code of Corporate Governance that sets out a commitment to corporate governance and how it will demonstrate and implement that code.

3.5 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.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The framework sets out a clear path for what authorities need to do to achieve Good Governance by applying the recommended principles.

Those actions are summarised below.

4.2 What authorities need to do

- Review existing governance arrangements against the Community Governance 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 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 on any planned changes in the coming period.
- Consider the extent to which the authority complies with the principles and requirements of good governance set out in the Framework.
- 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 authority and consider how they should be addressed.
- Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

4.3 What does SBC need to do - a proposal to take it forward

4.3.1 By 1 April the Council must have considered and approved a Local Governance Framework based on the six principles. A report will be submitted to the Audit Committee in March 2008 to meet this requirement. In the 2007/08 Annual Statement of Accounts the Statement of Internal Control will be replaced by the Annual Governance Statement.

4.3.2 A range of tasks have been identified to enable the Council to meet the requirements and this includes:

	Lead Officer
1. A self assessment to determine how far our current processes and documentation meet the suggested criteria for each principle.	All
2. An action plan to address any gaps following the self assessment.	All
3. A review of best practice examples and case studies - 'not to reinvent the wheel'.	HOL
4. A workshop with some Heads of Service to agree compliance with assurance principles and how this is implemented across all services.	All
5. The introduction of a toolkit to assess and review the quality of partnerships so that we have a consistent and rigorous approach to partnership working.	HoPPP
6. The submission of a local Code of Corporate Governance and Framework to the Audit Committee on 17 March 2008.	HoF
7. The preparation of an Annual Governance Statement to be included in the annual Statement of Accounts.	HoF

8. Progress reports to SMB as required.

All

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 None arising directly from this report.

5.1.2 Good governance enables the Council to pursue its vision and corporate objectives effectively as well as underpinning these with mechanisms for the control and management of risk.

5.2 Legal Implications

5.2.1 It is a requirement for the Council from 2007/08 to publish an Annual Governance Statement as part of its Statement of Accounts.

5.3 Other Implications

None

BACKGROUND DOCUMENT

CIPFA/SOLACE Document - Delivering Good Governance in Local Government