

Report to: Audit Committee
Date: 22nd May 2008
Report of: Gordon Fletcher, Internal Audit Manager
Subject: Annual Governance Statement for 2007/2008
Ward: All

1. Purpose of Report

- 1.1 The purpose of this report is to consider the proposed Annual Governance Statement which will be included in the 2007/8 Statement of Accounts.

2. Consultation

- 2.1. In preparing this report consultation has taken place with officers of the corporate governance group, the Head of Financial Management and the Senior Auditor. The report has been circulated to the Management Team

3. Background

- 3.1 In April 2007 a new CIPFA/SOLACE governance framework was introduced suggesting that governance arrangements should be reviewed annually and based on the principles of good governance as outlined in the new CIPFA/SOLACE framework. The review has been recently undertaken and members will consider the outcomes of that review in a separate report. The Executive Committee has agreed a revised local code of governance following that process.
- 3.2 The Accounts and Audit Regulations 2003 amended in 2006, required councils to review the 'effectiveness of their system of internal control.' To demonstrate this Council's had to include a Statement of Internal Control in the financial statements. However the new framework recognises that governance principles and management processes and systems are interrelated and as such Council's should demonstrate the degree to which councils follow these principles and this should be declared in an Annual Governance Statement (AGS). This statement has the backing of regulation 4 of the Accounts and Audit regulations 2007/8 and effectively subsumes the SIC.
- 3.3 The remainder of this report considers the requirement to prepare an annual governance statement, which will be included in the Council's Statement of Accounts for the year ended 31st March 2008.

4. Position Statement and Option Appraisal

- 4.1 The annual governance statement goes much further than the statement of internal controls, which it replaces but in saying that the Council's current SIC contains many aspects of the new arrangements.

Role of the Audit Committee

- 4.2 The annual governance statement now integrates the system of internal control aspects with the corporate governance arrangements and clearly the Audit Committee has a role to play in the process given it's governance responsibilities.
- 4.3 In undertaking its role it is suggested that the Committee: -
- Considers the AGS and be satisfied that the content meets the requirements of the new framework and gives assurance to the Council that business is being properly conducted.
 - Considers the assurance/evidence gathering arrangements which are in place.
 - Monitors any actions arising from subsequent reviews.

Assurance Arrangements

- 4.4 There is a separate report outlining the recent review of the Council's *governance* arrangements. The detail of that report sets out process, demonstrates how the arrangements are consistent with the CIPFA/SOLACE framework including the evidence gathered together with the actions required for the authority to continuously improve. Hopefully members will conclude that the review was robust and can be assured that proper arrangements are in place to give the council assurance that business is being conducted properly taking account of cultures and values and how it engages with the Community.
- 4.5 In terms of systems of control and management arrangements the assurance process is similar to that used in preparing the SIC. The Audit Manager is central to the process with responsibility for drafting the AGS, evaluating assurances and the supporting evidence and judging whether or not existing policies are consistent with the governance framework.
- 4.6 The senior managers from the Council and East Durham Homes each complete an assurance statement on internal control. These statements should ensure that managers are fully aware of their responsibilities regarding internal controls and systems and indeed their role in the governance framework. The assurances are evidence to support the AGS and have been reviewed by the Audit Manager to ensure that it accords with the revised Governance Framework and continue to be a useful source of assurance support.

Proposed Annual Governance Statement

- 4.7 The proposed AGS, which is outlined in Appendix 1, has been prepared in accordance with the above processes and the framework guidance. The statement is structured as follows: -
- Scope of responsibility
 - Purpose of the Framework
 - The governance environment which outlines our arrangements to meet the CIPFA/SOLACE framework.
 - Review of effectiveness which sets out processes of review including our checks and balances.
 - General – recent reports from Audit Commission.
 - East Durham Homes - information in relation to our arms length housing management organisation.
 - Significant Governance Issues which sets out any actions that needs to be addressed.

5. Implications of the report

5.1. Legal Implications.

The statement meets the requirements of the Accounts and Audit regulations and CIPFA/SOLACE guidance.

5.2. Financial

There are no direct financial implications as a result of this report.

5.3. Policy

There are no direct policy implications as a result of this report.

5.4. Local Government Review Implications

This report does not directly have any implications for LGR, the statement being included in the District Council's accounts for 2007/8 and 2008/9.

5.5. Risk

There are no risk implications.

5.6. Communications

The Annual Statement of Accounts for 2007/8, which contains the Annual Governance Statement, will be placed on the Council's web site following approval.

6. Corporate Implications

6.1. Corporate Plan and Priorities

Priority 2 – Striving for excellence in the workplace.

SFE2 – To develop the capacity to achieve in the organization.

6.2 Equality and Diversity

There are no direct implications.

6.3 E. Government

There are no direct implications.

6.4 Procurement

There are no direct implications.

7. Recommendations

7.1 It is recommended that the Committee:

7.1.1 Considers the content of Annual Governance Statement (Appendix 1) in the context that the procedures used to formulate the statement are robust enough to assure the council that its business is conducted properly taking account of cultures and values and how it engages with the Community.

7.1.2 Monitors the progress of any actions arising from the process.

Background List of Documents

CIPFA Finance Advisory Network "The Annual Governance Statement meeting the requirements of the Accounts and Audit Regulations 2003

2006 Rough Guide for Practitioners with effect from 2007/8

DCLG Circular 03/2006

Delivering Good Governance in Local Government CIPFA/SOLACE

Code of Practice for Internal Audit in the UK CIPFA 2006

Corporate Governance Group Workplan