



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
3 APRIL 2008**

Report of the Head of Audit and
Risk Management

ITEM 7

ANNUAL GOVERNANCE STATEMENT

RECOMMENDATION

- 1.1 Note the change in requirement from the Annual Statement on Internal Control (SIC) to the Annual Governance Statement (AGS) with effect from 2007/08.
- 1.2 Note the Audit and Accounts Committee's role in the AGS process.
- 1.3 Approve the assurance gathering process with the current nominated Corporate Group as being the main focus for this process.

SUPPORTING INFORMATION

- 2.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. In 2001 CIPFA/SOLACE produced Corporate Governance in Local Government; A Keystone for Community Governance (Framework and Guidance Note). This was updated in 2007 by CIPFA/SOLACE in the publication "Delivering Good Governance in Local Government".
- 2.2 The CIPFA/SOLACE Framework is intended to be followed as best practice for developing and maintaining a local code of governance and for discharging accountability for the proper conduct of public business, through the publication of an annual governance statement that will make the adopted practice open and explicit.
- 2.3 The updated Framework defines the principles that should underpin the governance of each local government body. It provides a structure to help individual authorities with their own approach to governance. Whatever form of executive arrangements are in place, authorities are urged to test their structures against the principles contained in the Framework by:
 - Reviewing their existing governance arrangements against this Framework.
 - Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
 - Preparing 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.

- 2.4 In England, the preparation and publication of an annual governance statement in accordance with this Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 for authorities to prepare a statement of internal control in accordance with “proper practices”.
- 2.5 In order to review the Council’s current arrangements, we will need to:
- Consider the extent to which the Council 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 Council and consider how they should be addressed.
 - Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
- 2.6 Within the Council, there is an existing process for the review of the control system, collation of information and compilation and monitoring of the Statement on Internal Control. The Annual Governance Statement goes much wider than the SIC but the assurance gathering process is similar.
- 2.7 This Committee is best placed to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement
 - Consider the robustness of the Authority’s governance arrangements
 - Monitor any actions arising from the review of arrangements

CIPFA/SOLACE Governance Framework Core Principles

- 2.8 The Framework outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community. The Framework emphasises that good governance and therefore the process and statement should be corporately owned. The degree to which the Authority follows the six core principles should be declared in an Annual Governance Statement (AGS).
- 2.9 The six core principles referred to in the Framework are:
1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust accountability

2.10 The Head of Audit and Risk Management is currently drafting a revised Local Code to reflect the changes to the CIPFA/SOLACE Framework.

Governance Statement and the Assurance Gathering Process

2.11 A flowchart taken from the CIPFA Finance Advisory Network's (FAN) "Rough Guide to the Annual Governance Statement" (attached as Appendix 2) sets out a framework for compiling the AGS.

2.12 This process is the same as the assurance gathering process currently in place for the Statement on Internal Control (SIC). At the centre of the review process for the SIC, there is a small corporate group of officers who contribute to the drafting of the final document, evaluating assurances and the supporting evidence and whether or not there is consistency with existing policies and the authority's "assurance framework". This group currently consists of:

- Head of Audit and Risk Management (Lead Officer)
- Head of Accountancy
- Head of Change Management and Performance
- Assistant Director - Democratic Services

Given the widening of the remit to cover the Council's Governance framework, the membership of the corporate group has been revised to also include:

- Assistant Director – ICT, Resources Department
- Corporate Human Resources Advisor – Occupational Health, Safety and Welfare, Corporate and Adult Services
- Principal Solicitor, Corporate and Adult Services
- Head of Performance and Resources, Regeneration and Community
- Financial Controller, Environmental Services
- Assistant Director – Strategic Support, Children and Young People

2.13 For the past 2 years, in preparation for the introduction of the AGS, departments have been completing a basic governance assurance statement which fed into the SIC. This is being reviewed by the Head of Audit and Risk Management to ensure that it accords with the revised Governance Framework and continue to be a useful source of assurance support.

2.14 Risk management will feature strongly in the AGS process and for that reason the functions of the Council's Strategic Risk Group will become part of the Governance Working Group's role. The Head of Audit and Risk Management will provide an annual report to those charged with governance i.e. the Audit and Accounts Committee, timed to support the AGS.

2.15 The FAN guidance shows a need for a review body in the process, such as the Audit and Accounts Committee who should be charged with critically reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

For more information contact:	Richard Boneham, Head of Audit and Risk Management, 01332 255688 richard.boneham@derby.gov.uk
Background papers:	CIPFA/SOLACE Framework
List of appendices:	Appendix 1 – Implications Appendix 2 – AGS Framework (CIPFA's Finance Advisory Network)

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. As per paragraph 2.4 in the report.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. None directly arising.

