



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
26 JUNE 2008**

Report of the Head of Audit and
Risk Management

ITEM 9

ANNUAL GOVERNANCE STATEMENT 2007/8

RECOMMENDATION

- 1.1 To approve the Annual Governance Statement (AGS) for 2007/08.
- 1.2 To request the Leader and the Chief Executive to formally sign the Statement.

SUPPORTING INFORMATION

- 2.1 The preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE 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 (SIC) in accordance with "proper practices".
- 2.2 On 18th August 2006 the Department for Communities and Local Government issued further guidance to clarify what they deemed as 'proper practice'. Section 7 of circular 03/2006 stated that 'proper practice' in relation to internal control relates to guidance contained in the following documentation:
 - Statement on Internal Control in Local Government: meeting the requirements of the Accounts and Audit Regulations 2003, published by CIPFA in 2004
 - Corporate Governance in Local Government: A Keystone for Community Governance (Framework and Guidance Note), produced by CIPFA/SOLACE in 2001. This has recently been updated. 'Delivering Good Governance in Local Government' was published by CIPFA/SOLACE in 2007.

Circular 03/2006 has real significance for local authorities as it clears the way for the annual governance statement (the part of the new CIPFA/SOLACE governance framework that subsumes the SIC) to be assigned proper practice status and therefore have statutory backing.

- 2.3 In the Audit Commission's view, the arrangements required for gathering assurances for the preparation of the annual governance statement provide an opportunity for authorities to consider the robustness of their governance arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. It is also important to recognise that the purpose of the annual governance statement is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those

areas where improvement is required. This will also demonstrate to stakeholders what those arrangements are.

- 2.4 As part of their use of resources assessments auditors will consider the arrangements in place to enable the preparation of the annual governance statement, including the degree to which the authority recognises the corporate ownership of its governance arrangements.
- 2.5 The new CIPFA/SOLACE governance framework clearly sets out the fundamental principles of corporate governance; these 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
- 2.6 The AGS has been structured around these 6 fundamental principles. In essence, the Annual Governance Statement is the formal statement that recognises, records and publishes an authority's governance arrangements as defined in the framework. It is a statement which has now subsumed the SIC just as the SIC subsumed the statement on internal financial control from 2003/4.
- 2.7 At the centre of the review process for the Annual Governance Statement (AGS), there is a corporate working 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)
 - Assistant Director – Corporate Finance, Resources Department
 - Planning and Performance Manager, Resources Department
 - Assistant Director - Democratic Services
 - Assistant Director – ICT, Resources Department
 - Head of Procurement, Resources Department
 - 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
 - IT Security Manager, Resources Department
- 2.8 As with the SIC, the Governance Working Group also sought assurances through the use of a framework that records evidence to support practices and processes already in place across the authority. This framework was taken from the CIPFA Finance Advisory Network's (FAN) publication "The Annual Governance Statement:

A Rough Guide For Practitioners”. By using this framework, the Group has been able to identify that the Council does not have the evidence in the format prescribed and that there are a number of gaps in the evidence available. The Group has built a work plan around tackling the gaps under each of the 6 fundamental principles of corporate governance at its future meetings.

- 2.9 The Corporate Assessment in October 2007 required the Council to produce a self-assessment document, which has been an excellent source of evidence to provide assurances on key aspects of the 6 fundamental principles. The overall assessment by the Audit Commission has been used to support the AGS.
- 2.10 In gathering evidence to support the SIC, each Chief Officer had been asked to provide an assurance statement to cover the operation of certain processes and procedures during the financial year. Each statement was signed off by the respective Chief Officer. The Governance Working Group reviewed an expanded assurance statement to provide evidence for the AGS. It was however, deemed to be too detailed and time-consuming to complete. The Group are currently working on a much simpler assurance statement for 2008/9.
- 2.11 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.

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Background papers:	CIPFA/SOLACE Framework
List of appendices:	Appendix 1 – Implications Appendix 2 – Annual Governance Statement 2007/8

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. The statutory reporting requirement for the Annual Governance Statement is linked to the publication of the authority's financial statements, which is 3 months after the deadline for approval.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. None directly arising.