

28TH JUNE 2012

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

ANNUAL GOVERNANCE STATEMENT & CODE OF CORPORATE GOVERNANCE

EXEMPT INFORMATION

None

PURPOSE

To inform Members of the Committee of the process followed in producing a Corporate Annual Governance Statement and revised Code of Corporate Governance in accordance with statutory requirements, and to approve the proposed draft Statement and Code of Corporate Governance.

RECOMMENDATIONS

- a) That the proposed Annual Governance Statement be agreed by the Committee as appropriate for presentation to the external auditor and for inclusion in the Annual Statement of Accounts ; and**
- b) That the proposed Code of Corporate Governance be agreed.**

EXECUTIVE SUMMARY

The Authority is required to produce a public Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations 2009 (as amended). The AGS must be published with the Authority's Annual Statement of Accounts. The AGS is a document which sets out the arrangements within the Authority for ensuring:

1. That there is a sound and robust governance framework, that the framework is regularly reviewed; and
2. It is expected that any instances of significant shortfalls in governance issues/arrangements are referred to within the AGS.

The Accounts and Audit (Amendment) (England) Regulations 2011 require that the Statement should be considered by a Committee of the Council – the Audit and Governance Committee are charged with this function.

Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) sets out the process by which the outcomes of the various arrangements within the Authority forming part of the governance framework should be brought together to inform the AGS. The guidance provides a model "Assurance Gathering Process" setting out the typical expected control arrangements and gives examples of the sorts of evidence which may be available within an authority to show that these controls are in place.

Relevant officers responsible for/involved in the main assurance processes have followed a process in accordance with CIPFA’s guidance to enable the model “Assurance Gathering Process” document to be completed. Members should also note that the AGS is informed by other processes such as the annual accounts closedown process, managers’ assurance statements, external audit reviews and inspections and the Head of Internal Audit Services Annual Audit Report.

In June 2009, CIPFA launched its “Statement on the Role of the Chief Finance Officer in Local Government” and during 2010 launched a similar document “The Statement on the Role of the Head of Internal Audit in Local Government”. Both statements support CIPFA’s work to strengthen governance and financial management across public services. Both of the CIPFA’s statement set out five principles that define the core activities and behaviours of the role of the Chief Finance Officer and that of the Head of Internal Audit and the governance requirements needed to support them. For each principle, the statement sets out the governance arrangements required within an organisation to ensure that Chief Finance Officers and Heads of Internal Audit are able to operate effectively and perform their core duties and responsibilities. CIPFA recommends that organisations should use these statements as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management. In line with good practice, the Statement on the Role of the Chief Finance Officer in Local Government was presented to the Audit & Governance Committee on 31st May 2012. We have benchmarked our arrangements against those set out in the Statements . This compliance is reflected in the Annual Governance Statement.

The proposed Annual Governance Statement 2011/12 arising from these processes is attached as **Appendix 1** for Members’ consideration. It should be noted that the Annual Governance Statement only includes significant governance issues.

The significant governance issue identified is:

Issue	Proposed Actions
<p>Medium Term Financial Strategy</p> <p>The Council should continue vigorous monitoring and scrutiny of its financial position to ensure the savings plan can be delivered with the planned use of reserves; and that there is no impact on the quality and range of services provided.</p>	<p>The Medium Term Financial Strategy is under continuous review by CMT and the Executive Board to take account of current circumstances and that planned savings are implemented / achieved to enable minimum impact on service delivery.</p>

Other actions requiring attention have been identified through the assurance gathering process and as such will form an action plan (**Appendix 3**). These actions will be entered onto the Covalent Performance Management System to aid monitoring and review. Interim reporting of actions completed will be presented to the Audit & Governance Committee.

Actions arising from the Annual Governance Statement 2010/11 assurance process are identified in **Appendix 4** and show the current status of the actions. Where actions have not been fully completed, these have been forwarded to the current action plan at **Appendix 3** in order to monitor and review their implementation.

To achieve good governance, the Authority should be able to demonstrate that it is complying with the core and supporting principles contained in the guidance and should therefore develop and maintain a local code of governance appropriate to its circumstances and comprising the requirements for best practice as set out in the CIPFA/SOLACE guidance. As such the Code of Corporate Governance 2012/13 has been reviewed and is attached as **Appendix 2**.

The Authority can demonstrate that it complies with the core and supporting principles and complies with best practice.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

Failure to produce an Annual Governance Statement would result in non-compliance with the Accounts and Audit (Amendment) (England) Regulations 2011.

There is a risk that failures in Governance would not be identified.

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

Managers Assurance Statements, Compliance with the Code of Corporate Governance review document, review of compliance to the Statements on the Role of the Chief Finance Officer in Local Government and the Role of the head of Internal Audit in Local Government, Code of Practice for Internal Audit in Local Government in the UK review document.

APPENDICES

- Appendix 1 Annual Governance Statement 2011/12
- Appendix 2 Code of Corporate Governance 2012/13
- Appendix 3 Action plan arising from the AGS 11/12 assurance process
- Appendix 4 Action plan arising from the AGS 10/11 assurance process – update June 2012

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