

Report to Audit and Governance Committee

Update on issues relating to the Annual Governance Statement

17 November 2010

1.0 Purpose of This Report

- 1.1 The purpose of this report is to facilitate compliance with the requirements of the Accounts and Audit Regulations (2003 as amended) and, consequently, it provides Members with the proposed process for compiling the AGS in order that Members may endorse the approach.

2.0 Annual Governance Statement 2010/11

- 2.1 Regulation 4 of the Accounts and Audit Regulations 2003 (as amended) requires the Council to conduct a review at least once a year of governance arrangements. The statutory reporting requirement for the AGS is linked to the publication of the Council's financial statements (end of September 2011 for the 2010/11 financial year). Furthermore, although the AGS relates to the year ended 31 March 2011, it must be based on key controls that will continue to operate until the publication of the Statement of Accounts.
- 2.2 The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness of the processes and/or to address identified weaknesses. The results of the review will be reported to the Audit and Governance Committee in June 2011 in order that the AGS is approved.
- 2.3 In considering whether to approve the AGS, the Audit and Governance Committee should seek to support the disclosures made and be satisfied:
- with the process
 - that the evidence supports the disclosures made in the AGS

Consequently, the proposed process needs to be fully accepted and endorsed by the Committee.

3.0 Review of Corporate Governance Arrangements

- 3.1 It is proposed that the review of governance arrangements that have been in place for the year ended 31 March 2011 will be informed by the work of the Internal Auditors and the Executive Managers and also by comments made by the External Auditors and other review agencies/inspectorates. The sources of assurance will include:

- Directors and Managers assigned with the ownership of risks and delivery of services through the risk management process
 - The s151 Officer and the Monitoring Officer in meeting statutory responsibilities
 - Internal Audit through the annual and interim reports
 - External Audit through reports and the Management and Inspection letter
 - Outcomes from other review agencies and inspectorates
 - Directors and Senior Managers who independently sign off on the adequacy of controls within their service areas via disclosure statements
 - The designated officers who complete AGS self-assessment questionnaires (In this way compliance with the Council's Code of Corporate Governance will be evidenced)
- 3.2 The AGS will be considered by the Corporate Management Team with work being co-ordinated by the Corporate Governance Group.
- 3.3 In order that Members may discharge their duties the Committee has received/will receive reports, information and training throughout the period under review including:
- the Internal Audit Annual Report for 2010/11 (timed to support production of the AGS)
 - interim update reports from Internal Audit
 - update reports on Risk Management
 - an update report on issues contained within the 2009/10 AGS
 - a workshop that examines the draft AGS and supporting documentation (timed to support the production of the draft statement of accounts)
- 3.4 The Audit and Governance Committee will critically review the AGS and its supporting documentation and, in considering whether to approve the Statement, seek to satisfy itself that Management has obtained relevant and reliable evidence to support the disclosures made. The AGS will, subject to approval by the Audit and Governance Committee, be signed off by the Chief Executive and the Leader of the Council and published with the Council's financial statements
- 4.0 **The System of Internal Audit**
- 4.1 Regulation 6 of the Accounts and Audit Regulations 2003 (as amended) requires the authority to conduct an annual review of the effectiveness of its system of internal audit. It is proposed that the 2010/11 review is undertaken using the following checklists:

APPENDIX A

- compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
 - self-assessment - measuring the effectiveness of the Audit Committee
- 4.2 The Corporate Governance Group will co-ordinate the assessments with the results being fed into the review of the Council's governance arrangements. Consequently, the detailed outcome of the review will be considered by the Audit and Governance Committee as part of the AGS approval process.