

ANNUAL GOVERNANCE STATEMENT 2007/08**Report By: CHIEF INTERNAL AUDITOR****Wards Affected**

None.

Purpose

To report to the Audit and Corporate Governance Committee on the requirement for the Council to have an Annual Governance Statement, evidenced by an assurance framework. The Committee is requested to review and comment on the suggested approach before it is submitted to Cabinet for comment and approval.

Financial Implications

None directly arising from this report.

RECOMMENDATION**THAT:**

- (a) **The Audit and Corporate Governance Committee together with the Standards Committee are made responsible for approving the Annual Governance Statement;**
- (b) **Subject to any comments from the Audit and Corporate Governance Committee and the Standards Committee the framework as set out in Appendix 1 to 3 is approved for submission to Cabinet.**
- (c) **The Code of Corporate Governance is reviewed by the Director of Resources and the Monitoring Officer in the light of the new requirements for the Annual Governance Statement by March 2008.**
- (d) **The new framework is subject to an annual review by Cabinet, the Audit and Corporate Governance Committee and the Standards Committee.**

Reasons

Previously Regulation 4 of the Accounts and Audit Regulations 2003 required the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and publish a Statement on Internal Control each year with it's annual statement of accounts .

Further information on the subject of this report is available from Tony Ford (Chief Internal Auditor)
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The Department for Communities and Local Government Circular 03/2006 and the Use of Resources 2008 assessment require a change in approach with the Council replacing the Statement on Internal Control with an Annual Governance Statement (AGS).

The Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) have jointly published guidance on delivering good governance in local government in line with the latest regulations.

The key lines of enquiry for Use of Resources 2008 assessments highlight the need for the Council to have arrangements in place to maintain a sound system of internal control. The criteria are as follows:-

- An appropriate member group has responsibility for review and approval of the governance statement, and considers it separately from the accounts (Level 2);
- The Council has conducted an annual review of the effectiveness of its governance framework, including the system of internal control, and reported on this in the governance statement (Level 2) ;
- The sources to support the governance statement have been identified and are reviewed by senior officers and members (Level 2);
- There are action plans in place to address any significant governance issues reported in the governance statement (Level 2);
- The Council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances (Level 3);
- The assurance framework provides members with information to support the governance statement (Level 3);
- The assurance framework is fully embedded in the Council's business process (Level 4); and
- The Council can demonstrate corporate involvement in/ownership of the process for preparing the governance statement (Level 4).

Considerations

1. The Audit and Corporate Governance Committee will be aware of the requirement in previous years for the Council to produce a Statement on Internal Control as part of its published annual statements of account. The Committee reviewed and approved the Statement on Internal Control for 2006-07 at its meeting on 29th June 2007.
2. The Council will have to develop a revised Code of Corporate Governance based upon the following six core principles:-

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- a) A clear definition of the Council's purpose and desired outcomes.
 - b) Well defined functions and responsibilities.
 - c) An appropriate corporate culture.
 - d) Transparent decision making.
 - e) A strong governance team.
 - f) Real accountability to stakeholders.
4. Linked to the above six key principles are 18 supporting principles (Appendix 1 refers).
 5. The Annual Governance Statement is more wide ranging than the Statement on Internal Control as it comprises the systems, processes, culture and values by which Herefordshire Council is directed and controlled in addition to its activities through which it accounts to, engages with and leads the community.
 6. Under Financial Regulations the Director of Resources was charged with drafting the Statement on Internal Control, with input from other key managers, it is suggested that this approach continue for the Annual Governance Statement, with the Director of Resources retaining the lead role and the Corporate Management Team and the Monitoring Officer agreeing the AGS for submission to the Audit and Corporate Governance Committee.
 7. The Councils Annual Governance Framework has been developed by building on the framework used for the Council's Statement on Internal Control and information received from a neighbouring authority(Appendix 2 refers).
 8. There is also a requirement to identify sources supporting the governance statement and that these sources of evidence are reviewed by Corporate Management Board and members (Appendix 3 refers).

Risk Management

The Council has a legal obligation to produce an Annual Governance Statement; this is also a requirement of the Use of Resources assessment. The risk is that the Council does not comply. Approval of Appendices 1 to 3 will aid compliance. In addition the council has nominated a Member of the Council's Corporate Management Board to oversee compliance.

Background Papers

SOLACE./CIPFA publication 'Delivering Good Governance in Local Government'.

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