

Meeting	Audit Committee
Date	13 September 2012
Subject	Annual Governance Statement
Report of	Director of Corporate Governance
Summary	This report seeks approval of the Annual Governance Statement

Officer Contributors	Maryellen Salter - Assistant Director of Finance - Audit and Risk Management Jeff Lustig – Director of Corporate Governance
Status (public or exempt)	Public
Wards Affected	-
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A – Annual Governance Statement
Contact for Further Information:	Jeff Lustig, Director of Corporate Governance -Tel: 020 8359 2008

1. RECOMMENDATIONS

- 1.1 To approve the Annual Governance Statement for inclusion with the Statement of Accounts for 2011/12.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 5 December 2007 approved the arrangement for preparing an Annual Governance Statement.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council's objectives include the priority "Better Services with Less Money" within which is the further aim "To improve the effectiveness and transparency of decision making within the Council". The Annual Governance Statement (AGS) is a public document that shows that the Council recognises that there are areas for improvement; the Committee's scrutiny of their progress supports above stated Council objectives.

4. RISK MANAGEMENT ISSUES

- 4.1 The preparation of the Annual Governance Statement includes ensuring that the council has effective performance management, risk management and governance arrangements in place. The Annual Governance Statement draws on risks identified across council activities, making reference to key governance issues.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Good governance arrangements are necessary to ensure that the Council is meeting its equalities and diversity obligations and objectives.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Sound corporate governance is at the heart of effective use of resources. Effective governance supports business planning and the performance management and risk management frameworks. Further embedding the process of producing the Annual Governance Statement into activities through-out the year will ensure a robust approach to governance is maintained.

7. LEGAL ISSUES

- 7.1 Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) requires a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS).

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 The Audit Committee's responsibilities include "to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption".

9. BACKGROUND INFORMATION

9.1 Background to the Annual Governance Statement

9.1.1 Circular 03/206 issued by the Department for Communities and Local Government (DCLG) in August 2006 stated that proper practice in relation to internal control would include guidance in the “Corporate Governance in Local Government. A keystone for Community Governance (Framework and Guidance Note)” produced by The Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) in 2001. The CIPFA/SOLACE Framework was revised in 2007 and it is this Framework which requires authorities to produce an AGS rather than a SIC to meet the requirements of the Accounts and Audit Regulations 2003 (as amended).

9.1.2 The CIPFA/SOLACE Framework is titled “Delivering Good Governance in Local Government”. It sets out the following core principles of corporate governance. They are:-

1. Focussing on the purpose of the authority and 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.

9.1.3 In essence, the AGS is the formal statement that recognises, records and publishes the Authority’s governance arrangements as defined in the framework.

9.3. Process

9.3.1 The Framework requires the AGS to be reviewed at least once a year. The AGS document is required to be included in the annual statement of accounts. Since the Draft Statement was reported to the Committee on 21 June 2012, the Council’s External Auditors have considered the statement to ensure that it is consistent with their understanding of the council. There were no changes made as a result of their review however changes were made to section 3 principle 6 following comments made by the Committee in June. These changes are not deemed significant.

9.3.2 Part of the review process includes this reporting to the Audit Committee, which is responsible for overseeing its production and recommending

adaption. It is also important Members of the Committee consider whether the statement is in line with their understanding of the Council.

9.3.3 If the Committee approves the AGS it will be incorporated into the statement of accounts for 2011/12 which is considered later on the Agenda.

9.3.4 The Audit Committee is asked to approve the Annual Governance Statement 2011/12 for the purpose of the statutory reporting requirement. The AGS for 2011/12 is attached at Appendix A.

10. LIST OF BACKGROUND PAPERS

10.1 CIPFA/SOLACE - Delivering Good Governance in Local Governance Framework.

CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English Authorities

CIPFA/SOLACE Financial Advisory Network: The Annual Governance Statement.

Cleared by Finance (Officer's initials)	MC/JH
Cleared by Legal (Officer's initials)	JEL