

## **WIRRAL COUNCIL**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

**24 MARCH 2010**

### **REPORT OF THE DIRECTOR OF FINANCE**

### **ANNUAL GOVERNANCE STATEMENT**

#### **1. EXECUTIVE SUMMARY**

- 1.1. The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2006.
- 1.2. This report explains the requirement for the Authority to produce the Annual Governance Statement declaring the degree to which it meets the Governance Framework.
- 1.3. The Annual Governance Statement for 2009/10 is attached at Appendix 1.

#### **2. BACKGROUND**

- 2.1. Regulation 4 of the Accounts and Audit Regulations 2003 required councils to review the “effectiveness of their system of internal control” and to publish a Statement on Internal Control (SIC) with the Financial Statements of a Local Authority each year. It also required the findings of the review to be considered by a Committee of the Council.
- 2.2. On 18 August 2006, the Department for Communities and Local Government (DCLG) issued circular 03/2006. Section 7 states that proper practice in relation to internal control relates to guidance contained in two documents:
  - Statement on Internal Control in Local Government; meeting the requirements of the Accounts and Audit Regulations 2003, published by CIPFA 2004.
  - Corporate Governance in Local Government; A Keystone for Community Governance (Framework and Guidance Note), produced by CIPFA in 2001.
- 2.3. The Corporate Governance in Local Government publication was updated in 2007 and replaced with the CIPFA /SOLACE Delivering Good Governance in Local Government Framework. This required the production and publication of an Annual Governance Statement by the Council to replace and subsume the Statement on Internal Control from 2008. A report was prepared for this Committee on the Framework and the requirements for this organisation on 27 September 2007.

### **3. GOVERNANCE**

- 3.1. Governance is about how the Authority ensures that it is doing the right things, in the right way, for the right people, in a timely inclusive, open, honest and accountable manner.
- 3.2. It comprises the systems, processes and controls, and cultures and values, by which the Authority is directed and controlled and through which it accounts to, engages with, and, where appropriate leads the community (Source: CIPFA/SOLACE Delivering Good Governance in Local Government).
- 3.3 Effective governance arrangements are required to be in place to ensure that:
  - Authority policies are implemented in practice
  - Authority values and ethical standards are met
  - Laws and regulations are complied with;
  - Required processes are adhered to;
  - Financial statements and other published information are accurate and reliable;
  - Human, financial and other resources are managed efficiently and effectively; and
  - High-quality services are delivered efficiently and effectively.

### **4. THE ANNUAL GOVERNANCE STATEMENT**

- 4.1. The CIPFA/SOLACE Delivering Good Governance in Local Government Framework requires an Annual Governance Statement and CIPFA has also confirmed that the Annual Governance Statement should subsume the requirement to produce the SIC.
- 4.2. The CIPFA Financial Advisory Network (FAN) issued a 'Rough Guide' in support of the revised Regulations in January 2007 and this includes detailed guidance regarding the process to be followed to undertake the annual governance work and prepare the actual statement.
- 4.3. The CIPFA/SOLACE Delivering Good Governance Framework provides a structure to assist local authorities with their approach to governance and identifies six core principles of good governance focussing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with, and leads the community. The Framework emphasises that good governance and therefore the process and statement should be corporately owned.
- 4.4. The six core principles referred to in the Framework that must be considered when defining good practice are:
  1. Focussing on the purpose of the Authority and on the 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.
- 4.5. Taking account of the above, local authorities are expected to undertake the following:
- Review their existing governance arrangements against the Framework
  - Maintain an up to date local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness
  - Prepare an Annual Governance Statement to report publicly on the extent to which they comply with the principles.
- 4.6. Within the Council there is an existing, well established process for the review of the control system, collation of information and compilation and monitoring of the Annual Governance Statement that is managed by the Internal Audit function and reported through the Corporate Improvement Group
- 4.7. Whilst Internal Audit is responsible for undertaking the assurance work and producing the Annual Governance Statement it is important to recognise that this is not a document owned by the audit function but an Authority statement on the effectiveness of its governance processes. Therefore commitment is required by all services and senior officers involved with the process.
- 4.8. As part of this process the following arrangements have been developed to enable the production of the Annual Governance Statement:
- a. Assurance from Directors/Heads of Service:  
  
Departmental Plans that include:
    - Risk Registers;
    - Self assessments of governance standards;
    - Self assessments of partnership governance standards;
    - Performance monitoring and analysis.
  - b. Assurance at a Corporate Level
    - Assurance obtained from the corporate risk process, including progress in implementing improvement actions associated with individual risks;
    - Corporate Governance review;
    - Code of Corporate Governance review;
    - Assurance from the Internal Audit Annual Report and Opinion;

- Assurance from various sources including the Audit Commission and other external inspection agencies.

4.9. An Annual Governance Statement for 2009/10 has been prepared that includes detailed comment regarding the effectiveness of the governance arrangements in operation. This is attached at Appendix 1. Subject to any comments from this Committee, the statement will be submitted to Cabinet for consideration.

## 5. **FINANCIAL IMPLICATIONS**

5.1. There are no financial implications arising directly from this report.

## 6. **STAFFING IMPLICATIONS**

6.1. There are no staffing implications in this report.

## 7. **EQUAL OPPORTUNITY IMPLICATIONS**

7.1. There are none arising directly from this report.

## 8. **HUMAN RIGHTS IMPLICATIONS**

8.1. There are none arising directly from this report.

## 9. **COMMUNITY SAFETY IMPLICATIONS**

9.1. There are no specific implications arising from this report.

## 10. **LOCAL MEMBER SUPPORT IMPLICATIONS**

10.1. There are no specific implications for any Member or Ward.

## 11. **LOCAL AGENDA 21 IMPLICATIONS**

11.1. There are no specific implications arising from this report.

## 12. **PLANNING IMPLICATIONS**

12.1. There are no specific implications arising from this report.

## 13. **BACKGROUND PAPERS**

13.1. Annual Internal Audit Report 2008/09

13.2. CIPFA Statement on Internal Control in Local Government, meeting the requirements of the Accounts and Audit Regulations 2003.

- 13.3. CIPFA/SOLACE Guidance Notes and Framework “Corporate Governance – A keystone for Community Governance” 2001.
- 13.4. CIPFA/SOLACE Delivering Good Governance in Local Government 2007.
- 13.5. Accounts and Audit Regulations (England) 2006.
- 13.6. CIPFA Code of Practice for Internal Audit in Local Government 2006.

14. **RECOMMENDATION**

- 14.1. That subject to any comments from this Committee, the Annual Governance Statement for 2009/10 be submitted to Cabinet for consideration.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/53/10