



Audit Committee
25th June 2008

**Report from the Director of Finance
and Corporate Resources**

For Information
* delete as necessary

Wards Affected:
ALL

Report Title: Annual Governance Statement

1 Summary

- 1.1 This report sets out the proposed Annual Governance Statement for inclusion in the council's accounts as required by the Accounts and Audit Regulations 2003 (as amended).

2 Recommendations

- 2.1 The Audit Committee approve the content of the Annual Governance Statement as set out in appendix 1.

3 Detail

- 3.1 A previous report to this committee¹ set out the new governance framework identified as best practice by CIPFA and SOLACE. A further report², provided members with the results of a review of the council's governance arrangements, using the CIPFA / SOLACE framework as a guide. The results of this review have been used to draft the Annual Governance Statement as attached at appendix 1. This will be published with the council's 2007/08 accounts.
- 3.2 The requirement for an annual review of governance is set out in the CIPFA/SOLACE framework and the Audit Committee has a key role to play in assessing the adequacy of governance across the council and the validity of the Annual Governance Statement.
- 3.3 The Annual Governance Statement has been informed by a corporate governance review which relied upon already existing documentation and information from various sources across the council. These sources include performance information, risk management, Borough Solicitor, Service Directors, Director of Finance and Corporate Resources, Internal Audit, External Audit, Inspectorates and partners.

APPENDIX 1

4 Financial Implications

4.1 None

5 Legal Implications

5.1 Regulation 4(2) of the Accounts and Audit Regulations 2003³ (as amended 2006⁴) requires the Council to review its system of internal control and Regulation 4(3) requires the preparation of a statement on that review in accordance with “proper practice”.

5.2 On 18th August 2006 the Department for Communities and Local Government issued further guidance to clarify what they deemed as “proper practice”. Section 7 of circular 03/2006⁵ stated that “proper practice” in relation to internal control relates to guidance contained in the following documentation:

- Statement on Internal Control in Local Government: meeting the requirements of the Accounts and Audit Regulations 2003, published by CIPFA in 2004
- Corporate Governance in Local Government: A Keystone for Community Governance (Framework and Guidance Note), produced by CIPFA/SOLACE in 2001 (recently updated)

5.3 Circular 03/2006 clears the way for the annual governance statement (originally intended as part of the 2001 framework) to be assigned proper practice status and, therefore, have statutory backing.

5.4 CIPFA has also confirmed that such status was assigned to the annual governance statement from 1st April 2007. This means that it will formally replace its proper practice association with the SIC with effect from the 2007/8 reporting year. CIPFA's earlier proper practice document of April 2004¹³ has now been replaced by the new governance framework.

5.5 In summary, the new framework gives the AGS “proper practice” status. There is no longer a requirement to produce a SIC, although in practice this is one part of the overall governance arrangements and will be subsumed into the AGS.

6 Diversity Implications

6.1 None

7 Background Papers

1. Report from the Director of Finance and Corporate Resources to the Audit Committee 18th December 2007. *New CIPFA / SOLACE Corporate Governance Arrangements*
2. Report from the Director of Finance and Corporate Resources to the Audit Committee 4th March 2007. *New CIPFA / SOLACE Corporate Governance Arrangements*
3. Accounts and Audit Regulations 2003

APPENDIX 1

4. Accounts and Audit (Amendment) (England) Regulations 2006
5. Department of Communities and Local Government (2006). *Guidance on the Accounts and Audit regulations 2003*