

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	ANNUAL GOVERNANCE STATEMENT 2008-09		
<b>DATE OF DECISION:</b>	19 <sup>th</sup> March 2009		
<b>REPORT OF:</b>	Carolyn Williamson – Executive Director of Resources		
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**STATEMENT OF CONFIDENTIALITY**

NOT APPLICABLE

**SUMMARY**

The Annual Governance Statement is a key corporate document and should provide an accurate representation of the corporate governance arrangements in place during the year and highlight those areas where improvement is required. The production of an AGS is a mandatory requirement under the Accounts and Audit Regulations as updated in 2006.

An 'assurance gathering process' created to support the AGS has been developed in line with the Chartered Institute of Public Finance and Accountancy ("CIPFA") guidance to support development of the AGS for 2008/09.

**RECOMMENDATIONS:**

The Audit Committee is asked to:-

- (i) Approve the assurance gathering process to support the development of a robust Annual Governance Statement (Appendix 1);
- (ii) Note the Audit Committee's role in the AGS process.

**REASONS FOR REPORT RECOMMENDATIONS:**

1. The Audit Committee has responsibility to provide independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement.
2. This responsibility extends to receiving and reviewing the draft AGS, and where necessary challenging the sources of assurance, prior to the draft document being reported to Standards and Governance Committee for approval.

3. The Audit Committee therefore needs to be aware of the nature and scope of the assurance gathering process that will be undertaken to support the development and production of a robust AGS.

## **CONSULTATION**

4. The 'assurance gathering process' developed to support a robust AGS for 2008-09 has been based on the process used to support the 2007-08 AGS. This is also taking into account that the Audit Commission has not identified any issues or concerns in relation to the assurance gathering process used to support the 2007-08 AGS.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

5. No alternative options have been considered.

## **DETAIL**

6. Regulation 4 (2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 requires local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and 'to prepare a statement on internal control' in accordance with proper practices.
7. The purpose of the AGS, which is published with the accounts, is to provide an accurate representation of the corporate governance arrangements in place during the year and to identify or highlight those areas where gaps or improvements are required. The requirement to produce an AGS applied with effect from 1<sup>st</sup> April 2007 i.e. for the 2007-08 reporting year onwards.
8. CIPFA/SOLACE has defined governance as "how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities".
9. The review of the effectiveness of the organisation's overall corporate governance arrangements requires the sources of assurance which the council relies on, to be brought together and reviewed with gaps in assurance being recorded and disclosed within the AGS.
10. The 'assurance gathering process' developed to support the 2007-08 AGS has been further refined to support the development of a robust AGS for 2008-09. No significant changes to the process were deemed necessary on the basis that it is considered that the current process is robust and noting the Audit Commission's observations that the council's Annual Governance Statement for 2007/08:-
  - complied with CIPFA requirements
  - was consistent with our knowledge gained from work on the financial statements and our Use of Resources assessment;
  - was consistent with information contained within minutes of council meetings and from council meetings that we attended; and
  - was consistent with our cumulative audit knowledge of the Council.
11. Overall assurance on the adequacy and effectiveness of the overall governance framework is sought from the following sources: Internal Audit,

External Audit, Risk Management, Legal and Regulatory Assurance, Assurances provided by Executive Directors, Performance Management and external inspection or review and reports. The foregoing sources of assurance are underpinned by a range of corporate policies and procedures.

12. To support the process a 'Controls Assurance Framework' document (which identifies and brings together the various elements of the overall 'assurance framework' and comments on any gaps) will be completed together with 'Controls Assurance Self Assessment Questionnaires' which are issued to Executive Directors for completion and return.
13. For 2008-09, the 'Controls Assurance Self Assessment Questionnaires' incorporate an 'assurance mapping template'. This document seeks to obtain information from each directorate all sources of assurance (internal and external).
14. Assurance mapping will be used to inform the Annual Governance Statement by providing an indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide.
15. The assurance mapping process will further provide confidence to the Audit Committee in the fulfilment of its role in 'considering the reports of internal and external audit and other review and inspection bodies' and 'to provide assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies'.
16. An awareness of assurance provided to the Council will assist in highlighting areas of under assurance to the risks to the Council in the achievement of its objectives and equally areas of over assurance, and potential impact on service delivery.
17. At the centre of the assurance gathering process is a corporate group who are given ultimate responsibility for drafting the AGS, evaluating assurances and the supporting evidence and assessing whether or not there is consistency with existing policies and the authority's governance framework. This 'Controls Assurance Management Group' comprises the Executive Director of Resources (as Section 151 Officer), Chair of the Audit Committee, Monitoring Officer, Chief Internal Auditor, and the Head of Corporate Policy and Performance. The composition of the group recognises the corporate nature of the exercise and the need for input from members.
18. The draft AGS is presented to the Audit Committee for review and approval prior to being submitted to the Standards and Governance Committee for final approval. The AGS is then forwarded to the Chief Executive and Leader of the Council for signing.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

19. NONE

### **Revenue**

20. NONE

**Property**

21. No specific property implications have been identified in this report.

**Other**

22. NONE

**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

23. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

**Other Legal Implications:**

24. NONE

**POLICY FRAMEWORK IMPLICATIONS**

25. NONE

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Annual Governance Statement 2008-09: Process and Timelines
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**Documents In Members' Rooms**

1.	NONE
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**Background Documents**

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. None	

**Background documents available for inspection** Internal Audit Office, North Block Basement, Civic Centre

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**FORWARD PLAN No:** N/A **KEY DECISION?** N/A

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Report Tracking

VERSION NUMBER:	1
DATE LAST AMENDED:	
AMENDED BY:	Peter Rogers