

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	ANNUAL GOVERNANCE STATEMENT 2010-11		
<b>DATE OF DECISION:</b>	17 MARCH 2011		
<b>REPORT OF:</b>	Rob Carr – Executive Director of Resources (Acting)		
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<b>STATEMENT OF CONFIDENTIALITY</b>			
NOT APPLICABLE			

## SUMMARY

The Annual Governance Statement (“AGS”) 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 significant gaps or improvements are 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 2010/11.

## RECOMMENDATIONS:

- (i) To approve the assurance gathering process to support the development of a robust Annual Governance Statement (Appendix 1);
- (ii) To note the Audit Committee’s role in respect of the Annual Governance Statement.

## 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’ for 2010-11 follows the arrangements used to develop the 2009-2010 AGS noting that the Audit Commission has not raised any issues or concerns in relation to the process adopted.

## 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 there are significant gaps or where improvements are required.
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 any significant gaps in assurance or areas for improvement being recorded and disclosed within the AGS.
10. The 'assurance gathering process' developed to support the 2009-10 AGS has been further refined to support the development of a robust AGS for 2010-11. No significant changes to the process were deemed necessary on the basis that it is considered that the current process is robust.
11. Overall assurance on the adequacy and effectiveness of the 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 an 'Assurance Framework' document (which identifies and brings together the various elements of the overall 'assurance framework') will be completed together with 'Self Assessment Questionnaires' which are issued to Executive Directors for completion and return.
13. The 'Self Assessment Questionnaires' include an 'Assurance Map' template which is also required to be reviewed and updated. This document seeks to obtain information from each directorate all sources of assurance (internal and external) that are received.
14. The Controls Assurance Management Group (which includes the Section 151 Officer, Chair of the Audit Committee, Monitoring Officer and Chief Internal Auditor) has responsibility for evaluating assurances and supporting evidence, assessing whether there is consistency with existing policies and

the authority's governance framework and for drafting the AGS.

15. 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**

16. None.

### **Revenue**

17. None.

### **Property**

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

### **Other**

19. None.

## **LEGAL IMPLICATIONS**

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

20. 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:**

21. None.

## **POLICY FRAMEWORK IMPLICATIONS**

22. None.

## SUPPORTING DOCUMENTATION

### Appendices

1.	Annual Governance Statement 2010-11: 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	
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**Background documents available for inspection** Internal Audit Office, North Block  
Basement, Civic Centre

E-mail [peter.rogers@southampton.gov.uk](mailto:peter.rogers@southampton.gov.uk)

**FORWARD PLAN No:** N/A

**KEY DECISION?** N/A

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### **WARDS/COMMUNITIES AFFECTED:**

Not applicable