

**Report of Director of Resources**

**Report to Corporate Governance and Audit Committee**

**Date: 30<sup>th</sup> September 2011**

**Subject: Annual Governance Statement**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The Council has a duty to undertake an annual review of the effectiveness of its system of internal control. Following that review a committee, in our case the Corporate Governance and Audit Committee, must approve an annual governance statement.
2. The review of effectiveness of the Council's Governance arrangements, has been informed by matters considered by;
  - Executive Board
  - Corporate Governance and Audit Committee (particularly assurance reports from officers reporting to the committee)
  - Reports and opinions from;
    - Internal Audit
    - External Audit
    - Inspectorates
    - Local Government Ombudsman
  - Appropriate enquiries of management and staff with relevant knowledge and experience.
3. The attached Annual Governance Statement has been prepared in accordance with proper practices specified by the Accounts and Audit Regulations 2011.

**Recommendations**

4. Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Director of Resources sign the document on behalf of the Council.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to present the Annual Governance Statement (AGS) to the committee for approval.

## **2 Background information**

- 2.1 The Annual Governance Statement is a public statement on the adequacy of the Council's governance arrangements, and, as directed by the Accounts and Audit (England) Regulations 2011, must accompany the statement of accounts.
- 2.2 The Regulations, specifically Regulation 4(3), requires authorities to conduct a review at least once a year of the effectiveness of its systems of internal control in accordance with 'proper practices'<sup>1</sup>. These proper practices have not been reviewed since 2007 and aspects, for example references to 'direction of travel statements, are outdated. However they remain broadly fit for purpose as a basis for preparing the Annual Governance Statement which appears at Appendix 1.

## **3 Main issues**

- 3.1 Members may recall that last year a new approach to collating assurances from governance lead officers was introduced, with these assurances providing the basis for the drafting of the AGS.
- 3.2 In light of the current financial climate, and the drive to reduce unnecessary bureaucracy, the Head of Governance Services has further refined and streamlined the drafting process for the AGS.
- 3.3 In Leeds the review of effectiveness is an ongoing process and includes the internal or external audit of internal control processes that have taken place during the year, and matters that have been the subject of reports to Corporate Governance and Audit Committee, the Executive Board and other member forums. In addition Directors have reviewed the attached statement and have confirmed that, to the best of their knowledge and belief, all matters of significance have been disclosed.
- 3.4 Members will note that Section 5 of the AGS, the section dealing with significant governance issues, directly links the areas for improvement to those identified in the Council Business Plan 2011 - 15. This reflects the extent to which governance issues have been embedded into corporate planning and performance management processes and provides a streamlined and sustainable structure to monitor identified areas for improvement.
- 3.5 KPMG have also confirmed, in their report to those charged with governance (also on the agenda for committee today), that, having reviewed the Annual Governance Statement, the statement complies with Delivering Good Governance: A Framework, published by CIPFA/SOLACE in June 2007; and is not misleading or inconsistent with other information that they are aware of.

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<sup>1</sup> CIPFA/SOLACE - Delivering Good Governance in Local Government Framework 2007

- 3.6 Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Director of Resources sign the document on behalf of the Council.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The Corporate Leadership Team has been consulted on content of the Annual Governance Statement, particularly to ensure that there are no omissions or misrepresentations.
- 4.1.2 The Annual Governance Statement links to the objectives of the Council Business Plan relating to consultation– specifically that all major decisions affecting the lives of communities can evidence that appropriate consultation has taken place.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The Annual Governance Statement links to the objectives of the Council Business Plan relating to Equality – specifically that all major decisions needing to evidence that appropriate consideration has been given to equality issues.

### **4.3 Council Policies and City Priorities**

- 4.3.1 The Annual Governance Statement reports that whilst progress has been made in agreeing policies and implementing procedures to govern the management of data and information, a number of incidents of data loss have occurred during the year.
- 4.3.2 Following approval of the statement a review of the Council’s Code of Corporate Governance will be undertaken.

### **4.4 Resources and Value for Money**

- 4.4.1 The Annual Governance Statement makes links to the objectives of the Council Business Plan relating to the budget and financial planning and management – specifically that all directorates work within their approved budget and that arrangements ensure the Council maintains revenue reserves.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The Annual Governance Statement is a public statement on the adequacy of the Council’s governance arrangements, and as directed by the Accounts and Audit (England) Regulations 2011, must accompany the statement of accounts.

### **4.6 Risk Management**

- 4.6.1 The Accounts and Audit (England) Regulations 2011, specifically Regulation 4(3), requires authorities to conduct a review at least once a year of the effectiveness of its systems of internal control in accordance with proper practices. The system of internal control, including arrangements for the management of risk, assists the Council in effectively exercising its functions.

- 4.6.2 In addition the committee and the Executive Board have received regular reports which demonstrate that there is an on-going process for identifying, evaluating and managing risks.

## **5 Conclusions**

- 5.1 The Annual Governance Statement concludes that key systems are generally operating soundly and, where weaknesses have been identified arrangements, arrangements are in place to resolve them.

## **6 Recommendations**

- 6.1 Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, the Chair of Corporate Governance and Audit Committee, the Chief Executive and the Director of Resources sign the document on behalf of the Council.

## **7 Background documents**

- 7.1 Constitution
- 7.2 Accounts and Audit (England) Regulations 2011
- 7.3 CIPFA/SOLACE - Delivering Good Governance in Local Government Framework 2007
- 7.4 Committee and decision making records for 2010-11 and 2011 to date
- 7.5 Summary of the External Audits and Inspections for 2010/11