



Report of the Assistant Chief Executive (Corporate Governance)

Corporate Governance and Audit Committee

Date: 29th September 2010

Subject: Final Annual Governance Statement 2010

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. This report introduces the Final Annual Governance Statement for 2010, which forms an integral element of the annual accounts. The full Statement is attached at Appendix 1.
2. The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003 which requires authorities to conduct a review at least once in every year of the effectiveness of its system of internal control in accordance with proper practices.
3. Members are asked to approve the attached Final Annual Governance Statement 2010 in order that it can be included with the annual audited accounts.

1.0 Purpose Of This Report

- 1.1 The purpose of this report is to provide an introduction and commentary to the Council's Final Annual Governance Statement for 2010.
- 1.2 The Annual Governance Statement is an audited public statement on the adequacy of the Council's governance arrangements and will form an integral element of the annual accounts. On the basis of the assurances given in the Statement the Leader of the Council, the Chair of the Corporate Governance and Audit Committee, the Chief Executive and the Assistant Chief Executive (Corporate Governance) sign the document on behalf of the Council.

2.0 Background Information

- 2.1 The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003¹ which requires authorities to conduct a review at least once in every year of the effectiveness of its system of internal control in accordance with proper practices.
- 2.2 From 2007/08 those proper practices were defined within the Framework (and supplement) for Delivering Good Governance in Local Government issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). The Statement contained at Appendix 1 has been produced in compliance with those defined practices.

3.0 Main Issues

Production of the Annual Governance Statement

- 3.1 As previously reported, a new approach to collating assurances from governance lead officers has been introduced this year, which was overseen by the Corporate Governance Board. The Leeds Governance Framework has been reformatted as a RACI matrix which cross references activities under each of the principles of the Code of Corporate Governance with a responsible lead officer. Any significant issues highlighted by lead officers have been included in Section 3 of the Statement.
- 3.2 Issues arising from External Audit and Inspection reports, matters considered by the Council's Governance Committees (namely Corporate Governance and Audit Committee, Standards Committee and General Purposes Committee), matters considered by Scrutiny Boards, and assurances provided by the Council's subsidiaries have also been included.

Commentary on the Leeds City Council Annual Governance Statement

- 3.3 The Final Annual Governance Statement 2010 is attached at Appendix 1 of this report and, once approved, will be contained within the annual audited accounts. The Statement is formatted as follows:
- Section 1 – Scope of Responsibility;
 - Section 2 – The Council's Governance Framework;
 - Section 3 – Opinion Statement from the Assistant Chief Executive (Corporate Governance); and
 - Section 4 – Assurance Summary.

¹ As amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

Approval of the Annual Governance Statement

- 3.4 The Annual Governance Statement should be approved at a meeting of the Council or delegated committee – in this case Corporate Governance and Audit Committee.
- 3.5 The timetable for the production of the annual accounts has driven the Annual Governance Statement approval timetable. Therefore, approval of the interim Annual Governance Statement was sought on 30th June in order that it could be included with the deposit edition of the annual accounts. The Statement has since been updated as necessary to ensure that it is kept up-to-date. The sections which have been updated are as follows:
- Paragraph 3.22 – 3.23 to include KPMG’s opinion on the annual accounts for 2009/10;
 - Paragraph 3.27 – to include information on the Local Government Ombudsman’s annual letter for 2009/10;
 - Paragraphs 3.37 – 3.48 – to include assurances from the Council’s subsidiaries; and
 - Paragraphs 3.71 – 3.72 – to include commentary on the Annual Internal Audit Report, and Internal Audit’s opinion on the Statement.
- 3.6 The final version of the Statement is presented today for the Committee’s approval, in order that it can be included with the annual audited accounts.
- 3.7 The Committee is also asked to recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Assistant Chief Executive (Corporate Governance) sign the final Statement on behalf of the Council.

4.0 Implications For Council Policy And Governance

- 4.1 The Annual Governance Statement is a core element of the Council’s corporate governance arrangements.

5.0 Legal And Resource Implications

- 5.1 The Statement is a necessary requirement of the Accounts and Audit Regulations 2003. The statement is an audited public statement on the adequacy of the Council’s governance arrangements and will form an integral element of the annual accounts.

6.0 Conclusions

- 6.1 From the review, assessment and on-going monitoring work undertaken², the interim Annual Governance Statement illustrates that key systems are operating soundly and that there are no fundamental control weaknesses.
- 6.2 However no system of control can provide absolute assurance against material misstatement or loss; the Annual Governance Statement therefore is intended to provide reasonable assurance. There is an on-going process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.

² By the Corporate Governance and Audit Committee, the Standards Committee, the Corporate Governance Board and those internal and external audit and inspection agencies which provide an overview of the Council’s operations

7.0 Recommendations

7.1 Corporate Governance and Audit Committee is asked to:

- approve the attached Final Annual Governance Statement in order that it can be included with the annual audited accounts; and
- recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Assistant Chief Executive (Corporate Governance) sign the document on behalf of the Council.

Background Documents

Framework for Delivering Good Governance in Local Government, CIPFA and SOLACE

Leeds City Council's Code of Corporate Governance

Accounts and Audit (England) Regulations 2003

Report to Corporate Governance and Audit Committee, 'Interim Annual Governance Statement 2010', 30th June 2010