

 STANDARDS COMMITTEE 11 JUNE 2008		Agenda Item No.
Title	Annual Governance Statement 2007-08	
For further information about this report please contact	Mary Hawkins (01926) 456400 mary.hawkins@warwickdc.gov.uk	
Service Area	Lifestyles, living & Resources	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	NO	
Date and meeting when issue was last considered and relevant minute number	Standards Committee 16 April	
Background Papers	Delivering Good Governance in Local Government & Delivering Good Governance in Local Government- Guidance Note for English Authorities; CIPFA/SOLACE 2007 The Annual Governance Statement – Rough Guide for Practitioners, CIPFA Financial Advisory Network	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director		Mary Hawkins
Chief Executive		
CMT		
Section 151 Officer		is author
Legal		Simon Best
Finance		Mike Snow
Portfolio Holder(s)		Cllr Doody

Consultation Undertaken	
Please insert details of any consultation undertaken with regard to this report.	
Para 7.7 sets out the team of officers who have developed the Annual Governance Statement and Para 7.9 sets out the members responsible for governance during the year who have reviewed the statement and made changes to incorporate their experience.	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	
The Committee receives a six monthly update on the high level actions	

1. SUMMARY

- 1.1 This report sets out an Annual Governance Statement for 2007-08 describing the governance arrangements that were in place in 2007-08. This statement is to be signed by the Chief Executive, and the Leader of the Council, after any further comments are incorporated as a result of the review from Standards Committee.
- 1.2 The report includes the evidence used in the preparation of the statement, and a recommendation is made on a communication plan for Governance
- 1.3 An action plan has been developed resulting from the weaknesses in governance identified.
- 1.4 Minor updates to the Code of Corporate Governance are recommended to reflect the need for communication of the Code, and its review.

2. RECOMMENDATION

- 2.1 The Committee agrees the Annual Governance Statement for 2007-08 for Warwick District Council as set out at Appendix A and action plan at Appendix C, making any amendment it feels are necessary.
- 2.2 The Committee agrees to monitor the implementation of the action plan at 6 monthly intervals, and to review the Code of Corporate Governance at 6 monthly intervals.
- 2.3 The Committee agrees the communication plan for Governance as set out at Appendix D.
- 2.4 The Committee agrees the revised Code of Corporate Governance as set out at Appendix B.
- 2.5 The Committee notes the internal audit annual report and the statement of the Head of Internal Audit at Appendix G and receives any comments made from the Audit & Resources Committee on 3 June.

3. REASONS FOR THE RECOMMENDATION

3.1 The new CIPFA/SOLACE governance framework requires an annual governance statement and replaces the Statement of Internal Control with effect from the 2007/8 reporting year (i.e. from 1st April 2007).

3.2 Internal control is 'A process established by management to provide reasonable assurance that organizational objectives will be achieved'. Its purpose is to provide assurance to management about:

- effectiveness of operations
- economical and efficient use of resources
- compliance with policies, procedures, laws regulations
- safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
- integrity /reliability of information, accounts, data

The Audit and Resources Overview and Scrutiny Committee have responsibility for internal control.

3.3 Corporate Governance is a much wider concept than internal control. Corporate governance is everyone's business and can be defined as

"Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner" Audit Commission

"How the 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."

CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives)

3.4 On 3 June the Audit and Resources Committee have a report on 'Review of Effectiveness of Internal Audit'. Comments will be circulated to this Committee of any comments they might make which are pertinent to this Committees consideration of Corporate Governance.

4. ALTERNATIVE OPTION CONSIDERED

4.1 None.

5. BUDGETARY FRAMEWORK

5.1 This statement is produced by the staff employed by the authority, within current resources.

6. **POLICY FRAMEWORK**

- 6.1 The proposals will assist the Council in furtherance of its Corporate and Strategic Leadership priority of providing clear community leadership and effective management of resources whilst delivering responsive public services in an open and transparent manner.

7. **BACKGROUND**

- 7.1 The Annual Governance Statement is a document for Warwick District Council. The Committee received a report at its last meeting setting out the proposals for the development and approval of the Annual Governance Statement. The Statement set out at Appendix A comments on the corporate governance arrangements in the Council during 2007-08.

- 7.2 CIPFA/SOLACE has just issued a new framework and guidance on delivering good governance in local government. It replaces the 2001 guidance and is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. These principles in relation to local government as set out in the new framework are

- a clear definition of the bodies purpose and desired outcomes and focusing on the purpose of the authority and the outcomes for the community and creating and implementing a vision for the local area
- members and officers are working together to achieve a common purpose with clearly defined functions and roles
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capability of members and officers to be effective
- engaging with local people and other stakeholders to ensure robust public accountability

Both the Code of Corporate Governance and the Annual Governance Statement reflect these six themes.

- 7.3 The new framework is more comprehensive than the 2001 approach. The new Code of Corporate Governance agreed at the March Executive based on the new framework is set out in Appendix B.

- 7.4 At Appendix G the councils internal audit manager has provided a written annual report to you, as 'those charged with governance' to support the Annual Governance Statement. The term 'those charged with governance' has no definitive meaning, and could mean the Executive, this Committee in terms of Corporate Governance, or the Leader and Chief Executive. As this is the first year of preparation of an Annual Governance Statement it is felt appropriate for this Committee to have sight of this statement and to receive comments from Audit and Resources.

- 7.5 The CIPFA financial advisory network has produced a rough guide for practitioners on producing the Annual Governance Statement. Its advice is that this is a key corporate document and the most senior officer and the most senior member (Leader and Chief Executive) have joint responsibility as signatories for its accuracy and completeness. It advises that it should be owned by all senior officers and members of the authority and that it is essential that there is a buy in at the top level of the organisation and in particular advises that the work should not be delegated to a single officer.
- 7.6 The Chief Executive and Leader of the Council as signatories of the Annual Governance Statement need to ensure that it accurately reflects the governance framework for which they are responsible. In order to achieve this they are likely to rely on many sources of assurance, such as:
- directors and managers;
 - the responsible financial officer;
 - the monitoring officer;
 - members;
 - the head of internal audit;
 - performance and risk management;
 - third parties, e.g. partnerships;
 - external audit and other review agencies
- 7.7 An officer working group consisting of the following developed the evidence and the Annual Governance Statement
- The Chief Executive (chair)
 - the Monitoring Officer
 - The Strategic Director & Chief Financial Officer
 - the Assistant Chief Executive (Members)
 - the Head of Finance
 - the Internal Audit Manager
 - the Senior Committee Services Officer
 - the Policy and Performance Manager
- 7.8 The 'The Annual Governance Statement – Rough Guide for Practitioners' by CIPFA set out the following stages in producing the Annual Governance Statement :-

Objective 1, ESTABLISHING PRINCIPAL STATUTORY OBLIGATIONS AND ORGANISATIONAL OBJECTIVES

Step 1: Mechanisms established to identify principal statutory obligations

Step 2: Mechanisms in place to establish organisational objectives

Step 3: Effective Corporate Governance arrangements are embedded within the authority

Step 4: Performance management arrangements are in place

THEN apply the Six CIPFA/SOLACE Core Principles

- (i) Focusing on purpose/outcomes and creating a vision for the local area*
- (ii) Members & officers working together to achieve common purpose with clearly defined functions & roles*
- (iii) Promoting values for the authority and demonstrating values of good governance through upholding high standards of conduct and behaviour*
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
- (v) Developing the capacity and capability of members and officers to be effective*
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability*

Objective 2, IDENTIFY PRINCIPAL RISKS TO ACHIEVEMENT OF OBJECTIVES

Step 1: The authority has robust systems and processes in place for the identification and management of strategic and operational risk

Objective 3, IDENTIFY AND EVALUATE KEY CONTROLS TO MANAGE PRINCIPAL RISKS

Step 1 - The authority has robust systems of internal control which includes systems and procedures to mitigate principal risks

Objective 4, OBTAIN ASSURANCES ON THE EFFECTIVENESS OF KEY CONTROLS

Step 1: Appropriate assurance statements are received from designated internal and external assurance providers

Objective 5, EVALUATE ASSURANCES AND IDENTIFY GAPS IN CONTROL/ASSURANCES

Step 1: Make adequate arrangements to identify, review and evaluate reports from the defined internal and external assurance providers to identify areas of weakness in controls

Objective 6, ACTION PLAN TO ADDRESS WEAKNESSES AND ENSURE CONTINUOUS IMPROVEMENT OF THE SYSTEM OF CORPORATE GOVERNANCE

Step 1: Robust mechanism to ensure that an appropriate action plan is agreed to address the identified control weaknesses and is implemented and monitored

Objective 7, ANNUAL GOVERNANCE STATEMENT

Step 1: Governance statement is drafted in accordance with regulations and timescales

Objective 8, REPORT TO CABINET /EXECUTIVE COMMITTEE

Step 1: Report in accordance with pro-forma

The evidence for these is set out in Appendices E and F using the format recommended in the guide. Appendix E contains the evidence in relation to Objectives 1 to 8, and Appendix F refers to the evidence on the key CIPFA/SOLACE principles in the Code of Corporate Governance. Whilst these appendices are officer working documents they demonstrate all the issues considered in the development of the Governance Statement.

- 7.9 The action plan at Appendix C falls out from these documents and actions are prioritised high (H) medium (M) or low (L) as follows:-
High: A significant weakness that must be addressed in 2008-09
Medium: Would make a significant improvement to governance standards; and every effort will be made to address in 2008-09
Low: A minor item that would enhance current arrangements
- 7.10 The following reference group met on 8 May to review the statement, evidence and action plan and make amendments based on their experience. For the 2007-08 year
- the Chairman of the Council
 - the Vice Chairman of the Council
 - the Chairmen of Overview and Scrutiny Committees (Executive & Audit and Resources)
 - the Chairman of the Standards Committee
- 7.11 The action plan identifies
- that there should be a communications strategy and this is attached at Appendix D for approval
 - the need to incorporate an annual review of the Code of Corporate Governance. Consequently the Code at Appendix B contains a suggested revision at Para 8 shown in italics. It is proposed that this Committee reviews the Code at the same time as it receives a six monthly update on the action plan.