

TELFORD & WREKIN COUNCIL

CABINET 8th JUNE 2010

THE ANNUAL GOVERNANCE STATEMENT 2009/10

REPORT OF THE HEAD OF GOVERNANCE

1 PURPOSE

- 1.1 For the Cabinet to agree the Annual Governance Statement 2009/10 prior to the statement being signed by the Leader and the Chief Executive. The Statement will then be reviewed and approved by the Audit Committee as part of the 2009/10 annual accounts.

2 RECOMMENDATION

- 2.1 **That members of the Cabinet agree the Annual Governance Statement 2009/10, attached as Appendix A, and note the information in the report.**

3 SUMMARY

- 3.1 Under the Accounts and Audit Regulations 2003 as amended and the SORP 2009¹ the Council is required to produce an Annual Governance Statement that is signed by the Leader and Chief Executive of the Council. This statement must be included in the Annual Accounts.
- 3.2 The Annual Governance Statement for 2009/10 is attached at Appendix A and has been developed based on the requirements of the regulations, CIPFA guidance² and recently published CIPFA/Solace guidance³. The statement includes an action plan (Annex 1) to ensure that we continue to improve our current robust governance arrangements.
- 3.3 The action plan attached to the 2008/09 statement (implemented during 2009/10) has been combined with other governance actions identified during the year into a Consolidated Governance Action Plan. This has been reviewed, updated and was presented to the Audit Committee in November 2009 and the current position is attached as Appendix B to this report.
- 3.4 Due to the significant organisational changes that commenced implementation in January 2010 there have been and will continue to be changes required to the Council's governance framework. Therefore the outstanding actions from the

¹ CIPFA Code of Practice on Local Authority Accounting in the UK – A Statement of Reporting Practice 2009/10 Accounts

² The CIPFA Finance Advisory Network – THE ANNUAL GOVERNANCE STATEMENT – Meeting the requirements of the Accounts and Audit Regulations 2003, *incorporating Accounts and Audit (Amendment)(England) Regulations 2006* – Rough Guide for Practitioners with effect from 2007/08

³ Application Note to Delivering Good Governance in Local Government: a Framework March 2010

Consolidated Governance Action Plan have been reviewed and updated to identify the key actions for 2010/11 and attached as Annex 1 to the statement.

- 3.5 The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control. The Council can be assured that during 2009/10, including since the organisational changes commenced in January 2010 that the existing governance framework has continued to support proper governance. Where required changes to procedures have been agreed by CMT and changes to the Constitution have been agreed by the Council, through the Council's Constitution Committee.
- 3.6 Assurance for the annual governance statement is provided by all areas of the Council and externally by the following:
- a) Leader and Chief Executive – who sign the statement;
 - b) Senior management – Corporate Directors, Assistant Chief Executive and Heads of Service;
 - c) Chief Financial Officer;
 - d) The Monitoring Officer;
 - e) Members – Scrutiny arrangements, Standards Committee, Audit Committee and other Regulatory Committees;
 - f) Internal Audit ;
 - g) Partners;
 - h) External Audit; and
 - i) Other external inspection agencies.
- 3.7 The assurances above support the Leader and Chief Executive to sign the statement prior to it being reviewed and approved by the Audit Committee as part of the 2009/10 accounts.

4 PREVIOUS MINUTES

- 4.1 Cabinet 18th June 2007
Cabinet 16th June 2008
Cabinet 9th June 2009

5 BACKGROUND

- 5.1 As mentioned in paragraph 3.6 above there are several areas which provide assurance for the annual governance statement.
- 5.2 Actions and operational activity are ultimately derived from the priorities and objectives of the Council. The Council's governance and risk management process should consider the risks to achieving these objectives and ensure that controls are in place to mitigate these risks. The system of internal control should help to manage and control governance and risk rather than eliminate it. The annual governance statement can only be expected to **provide reasonable and not absolute assurance** of the effectiveness of the systems of corporate governance and internal control.

- 5.3 Assurance from senior management has been evidenced at year end by a certification process. All senior managers (Corporate Directors, Assistant Chief Executive and Heads of Service) have signed to confirm agreement to the Annual Governance Statement (including the action plan) and adherence within their priority area/statutory duties/service area to good corporate governance procedures and the operation of internal controls.
- 5.4 The Chief Financial Officer will be signing the accounts and providing assurance on the financial aspects of governance and control.
- 5.5 The Monitoring Officer has ensured throughout the year that all Council activity has been proper and legal within the requirements of his statutory governance and control responsibilities.
- 5.6 The Directors of Children's Services and Adult Social Services have also signed to confirm continuous delivery of their duties during the year.
- 5.7 Members have provided assurance through the scrutiny process, Standards Committee, Audit Committee and the other regulatory committees.
- 5.8 Internal audit have provided assurance by:
- a) The production of an Annual Internal Audit Report 2009/10 which contains an opinion on the systems of internal control based on the work they have undertaken;
 - b) An on-going review of corporate governance activities; and
 - c) A review of the corporate risk management arrangements.
- 5.9 The External Auditors (KPMG) have provided various opinions during the year within their Report to those charged with governance (Annual Governance Report as part of the final accounts process) 2008/09 and their Annual Audit Letter 2008/09 (including their Use of Resources assessment results – see 5.11 below)).
- 5.10 In December 2009 the Audit Commission reported back on the results of their Organisational Assessment (CAA – 2008/09) as did Ofsted on the Council's Children's services annual rating and in January 2010 on the Fostering Service (inspection November 2009). The Care Quality Commission also reported in 2009 on their 2008/09 Annual Performance Assessment of Adult Social Care. Actions for improvement from these external inspections have been included in Priority Plans and Service Delivery Plans.
- 5.11 A revised "harder test" Use of Resources assessment took place for 2008/09 which was reported in December 2009. This included reviewing how the Council manages its money, governs its business and manages resources. The Council's overall score reduced to 2 (performs adequately) but for the risk management and internal control element a score of 3 was achieved (performs well). The indicative scores for 2009/10 suggest that the 2008/09 scores have been maintained.
- 5.12 A requirement of the Accounts and Audit Regulations 2003 (as amended) is for an annual review of the system of internal audit. The results of this have been included within the Annual Internal Audit Report 2009/10. Minor areas for improvement have been identified.

5.13 The assurances in paragraphs 5.3 to 5.12 above have provided assurance to the Leader and Chief Executive so they can sign the statement prior to it being included in the 2009/10 draft accounts which will be reviewed and approved by the Audit Committee.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	One of the principles in the Local Code of Good Governance is inclusivity.
Environmental Impact	None

Legal Implications	The Accounts and Audit Regulations 2003 (as amended) place a legal obligation upon local authorities to maintain an adequate and effective system of internal audit of its accounting records and internal control in accordance with proper practices. The annual governance statement contributes towards meeting that obligation. Guidance to assist in meeting these obligations is set out in the footnotes to paragraphs 3.1 and 3.2 of this report.
Links with Corporate Priorities	The Local Code of Good Governance should ensure improved links with the community and the delivery of appropriate corporate priorities in an open and accountable manner.
Opportunities and Risks	Reviewing the Council's corporate governance and internal control systems and identifying areas for improvement will ensure that the Council's risks have been and will be effectively managed.
Financial Implications	The costs associated with internal and external audit are met from within base budgets with any variances being reported through the routine financial monitoring. Good corporate governance and internal controls reduce the risk to the Council of financial loss.
Ward Implications	None.

7 BACKGROUND PAPERS

Local Code of Corporate Governance May 2008

CIPFA – Delivering Good Governance in Local Government June 2007

CIPFA's Financial Advisory Network –ANNUAL GOVERNANCE STATEMENT - Meeting the Requirements of the Accounts and Audit Regulations 2003, incorporating the Accounts and Audit (Amendment) (England) Regulations 2006 – Rough Guide for Practitioners with effect from 2007/08

KPMG Report to those charged with governance 2008/09

KPMG Annual Audit Letter 2008/09

One Place Organisational Assessment 2008/09 (Audit Commission)
Ofsted Children's services annual rating December 2009
Ofsted Inspection Report for Fostering Services (inspection date November 2009)
Annual Internal Audit Report 2009/10
Care Quality Council Assessment 2008/09

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