

ANNUAL GOVERNANCE STATEMENT

1 Purpose

- 1.1 The purpose of this report is to explain the requirement for the Authority to produce an Annual Governance Statement declaring the degree to which it meets the new CIPFA/SOLACE Governance Framework.
- 1.2 The preparation and publication of an Annual Governance Statement in accordance with the Framework is necessary to meet the statutory requirement for authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.
- 1.3 There is no longer a requirement to prepare and publish a separate statement on internal control.

2 Recommendations

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| <ul style="list-style-type: none">2.1 To note the change in requirement from the annual Statement on Internal Control (SIC) to the Annual Governance Statement (AGS) with effect from the financial year beginning 1 April 2007.2.2 To note the Audit Committee’s role in the AGS process.2.3 To approve the assurance gathering process and agree the format of the AGS as in Appendix 2. |
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3 Supporting information

- 3.1 CIPFA/SOLACE has produced a new governance framework document “Developing Good Governance in Local Government”. The Framework is intended to be followed as best practice for developing and maintaining a local code of governance and for discharging accountability for the proper conduct of public business, through the publication of an annual governance statement that will make the adopted practice open and explicit.
- 3.2 The Framework reinforces the fact that good governance relates to the whole authority and should not be seen as a Finance or Policy responsibility.
- 3.3 The Accounts and Audit Regulations require councils to conduct a review at least annually of the effectiveness of their system of internal control and to publish a Statement on Internal Control (SIC) in accordance with proper practice. It also requires the findings of the review to be considered by a Committee of the Council.
- 3.4 The Accounts and Audit (Amendment) Regulations 2006 rationalised the use of the term “proper practices” by identifying whether the reference is to:
 - 3.5 Proper practices in relation to internal control, or
 - 3.6 Proper practices in relation to accounts.

- 3.7 The Department of Communities and Local Government (DCLG) issued guidance in August 2006 to clarify what they deemed as proper practices. The Circular made clear that the Annual Governance Statement (the part of the new CIPFA/SOLACE governance framework that subsumes the SIC) is to be assigned proper practice status and therefore have statutory backing.
- 3.8 The Framework document itself therefore remains a discretionary code, it is the pro forma Annual Governance Statement (AGS) that has the legal backing of Regulation 4 of the Accounts and Audit Regulations from 2007/08. The AGS is the formal statement that recognises, records and publishes an authority's governance arrangements as defined in the framework. Appendix 2 shows the draft outline of the AGS for AVDC.
- 3.9 The CIPFA Finance Advisory Network has also produced a rough guide for practitioners setting out guidance on arrangements for the production of an AGS. The checklist has been completed and any areas of weakness will be picked up in the AGS.
- 3.10 The Annual Governance Statement draws upon the management and internal control framework of the Council especially the work of Internal Audit and the Council's Risk Management framework. In particular the independent report of the Council's Audit Manager is a significant factor in determining the position to be reported. This report will be presented to the Audit Committee in June 2008.
- 3.11 The flowchart at Appendix 1 sets out a process for compiling the AGS. Whilst the AGS goes wider than the SIC, the assurance process is similar. The process largely replicates the Council's previous arrangements for assurance gathering and producing the SIC. The assurance framework has been reviewed, especially the format of individual statements from each Head of Service covering the Internal Control Framework for their service.
- 3.12 The role of the Audit Committee is therefore:
- 3.13 To critically review the AGS and its supporting documentation
- 3.14 To consider the robustness of the Council's governance arrangements
- 3.15 To monitor any actions arising from the review arrangements
- 3.16 To approve the AGS prior to its inclusion in the statement of accounts.
- 3.17 The Audit Commission has stated that the arrangements required for gathering assurances for the preparation of the annual governance statement provide an opportunity for authorities to consider the robustness of their arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. It is also important to recognise that the purpose of the annual governance statement is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where

improvement is required. This will also demonstrate to stakeholders what those arrangements are.

- 3.18 As part of their Use of Resources assessments auditors will consider the arrangements in place to enable the preparation of the annual governance statement, including the degree to which the authority recognises the corporate ownership of its governance arrangements. FAN's Rough Guide to the AGS focuses on satisfying statutory regulation and meeting the Use of Resources criteria.

4 Options considered

- 4.1 None – The AGS is a statutory requirement.

5 Reasons for Recommendation

- 5.1 To comply with legislation.

6 Resource implications

- 6.1 Completion of the AGS will be resourced from within existing Budgets.

7 Response to Key Aims and Outcomes

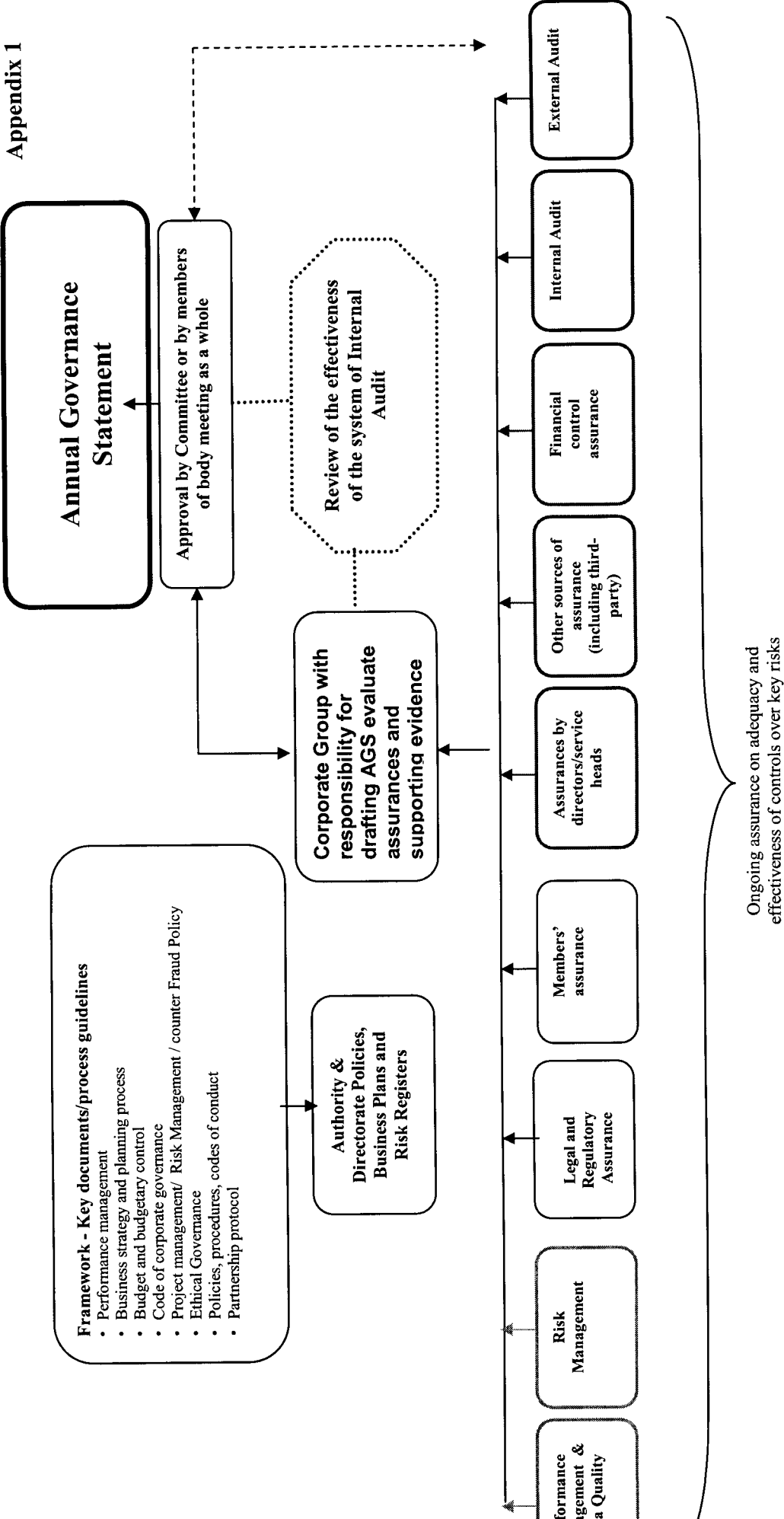
- 7.1 The AGS is an integral part of AVDC's annual Accounts and requires formal consideration and reporting at Committee.

Contact Officer
Background Documents

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CIPFA / SOLACE "Delivering Good Governance in Local Government
Department for Communities and Local government Circular 03/2006
CIPFA Financial Advisory Network – Rough Guide to the Annual
Governance Statement.

ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Appendix 1



Annual Governance Statement

Scope of responsibility

Aylesbury Vale District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Aylesbury Vale District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Aylesbury Vale District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Aylesbury Vale District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [...] or can be obtained from [...]. This statement explains how Aylesbury Vale District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) [England] Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of Aylesbury Vale District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Aylesbury Vale District Council for the year ended 31 March 2008 and up to the date of approval of the Annual Governance Report and Statement of Accounts.

The governance framework

Describe the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.
- Reviewing the authority's vision and its implications for the authority's governance arrangements.
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.
- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Whistle-blowing and for receiving and investigating complaints from the public.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

Review of effectiveness

Aylesbury Vale District Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Describe the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, including comment on the role of:

- The authority
- The executive
- The audit committee / overview and scrutiny committees / risk management committee
- The standards committee
- Internal audit

Other explicit review / assurance mechanisms

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by [the executive/audit committee/overview and scrutiny committee/risk management committee] (*amend list as appropriate*), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

[Include an outline of the actions taken, or proposed, to deal with significant governance issues.]

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that we identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:.....

Leading Member (or equivalent) & Chief Executive (or equivalent) on behalf of [the authority]