

DECISION-MAKER:	AUDIT COMMITTEE		
SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2007/08		
DATE OF DECISION:	25 TH JUNE 2008		
REPORT OF:	EXECUTIVE DIRECTOR OF RESOURCES		
AUTHOR:	Name:	Peter Rogers	Tel: 023 8083 2835
	E-mail:	peter.rogers@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

For the financial year 2007/08 the Council is required to complete an Annual Governance Statement ('AGS') which replaces the former Statement on Internal Control ('SIC'). The production of an AGS is a mandatory requirement under the Accounts and Audit Regulations as updated in 2006.

The AGS is a key corporate document and should provide an accurate representation of the corporate governance arrangements in place during the year and highlight those areas where improvement is required. An important part of the process is for the Audit Committee to review and approve the draft AGS and recommend its acceptance to the Standards and Governance Committee prior to the document being forwarded to the Chief Executive and Leader of the Council for signing.

RECOMMENDATIONS:

That the Audit Committee:

- (i) Reviews the draft AGS (Appendix 1) together with sources of assurance upon which the statement is based to confirm that the statement is meaningful and that the system of internal control has operated effectively throughout the reporting period;
- (ii) Approves the draft AGS and recommends its acceptance to the Standards and Governance Committee;
- (iii) Notes the content of the SIC 2006-07: Action Plan Status document (Appendix 2).

REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee has responsibility to provide independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement. This responsibility extends to receiving and reviewing the draft AGS, and where necessary challenging the sources of assurance, prior to the draft document being reported to Standards and Governance Committee for approval.

2. Although the SIC has been replaced it is appropriate for the Audit Committee to be appraised of, and monitor progress, against the agreed actions to address the 'significant control weaknesses' identified in 2006-07 SIC.

CONSULTATION

3. The AGS has been developed by the Council's 'Controls Assurance Management Group' and draft document together with the 'SIC 2006-07: Action Plan Status' document has been referred to both PCoT Resources Board (which has specific responsibility to 'focus upon Identify and monitor the Council's controls assurance framework and provide evidence, based on sources of internal and external assurance and a controls self assessment process, to support the preparation of the AGS') and the Chief Officers Management Team for review and comment.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. No alternative options have been considered.

DETAIL

5. The Audit Commission has previously commented that the Council has "a sound annual effectiveness review process to support the SIC and councillors' roles in scrutinising and approving the SIC are clear". The Chartered Institute of Public Finance and Accountancy ('CIPFA') has published a 'rough guide for practitioners' in respect of the AGS and this states that "for those organisations who had already considered and compiled their SIC as a corporate document the transition to an AGS should not be a great one". The existing processes and procedures developed to support the SIC were therefore further developed to support the AGS.
6. The purpose of the AGS is to provide an accurate representation of the corporate governance arrangements in place during the year and to identify or highlight those areas where gaps or improvements are required.
7. The review of the effectiveness of the Council's overall corporate governance arrangements requires the sources of assurance, which the council relies on, to be brought together and reviewed with any gaps or weaknesses being disclosed within the AGS.
8. Overall assurance on the adequacy and effectiveness of the overall governance framework was sought from the following sources: Internal Audit, External Audit, Risk Management, Legal and Regulatory Assurance, Assurances provided by Executive Directors (via a 'Controls Assurance Self Assessment Questionnaire'), Performance Management and external inspection or review and reports. The foregoing sources of assurance are underpinned by a range of corporate policies and procedures. In addition, a 'Controls Assurance Framework' document (developed in accordance with CIPFA guidance) which identifies and brings together the various elements of the overall 'assurance framework' and comments on any gaps was completed and considered.
9. At the centre of the review process is the 'Controls Assurance Management Group' which comprises the Section 151 Officer, Monitoring Officer, Chief Internal Auditor, Chair of the Audit Committee and the Head of Corporate Policy and Performance. This Group is responsible for drawing together,

evaluating and, where necessary, challenging the sources of assurance and supporting evidence in addition to drafting the AGS. The 'Controls Assurance Management Group' has specific responsibility to monitor and review progress of any agreed actions arising from the AGS throughout the year.

10. The 'SIC 2006-07: Action Plan Status document' summarises the status of the actions that were required to address the 'identified weaknesses' disclosed in the '2006-07 SIC'. In some cases, the nature of the issue is such that it appears on the AGS.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

NONE

Revenue

NONE

Property

No specific property implications have been identified in this report.

Other

NONE

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

NONE

POLICY FRAMEWORK IMPLICATIONS

NONE

SUPPORTING DOCUMENTATION

Appendices

1.	Draft Annual Governance Statement 2007-08
2.	SIC 2006-07 : Action Plan Status document

Documents In Members' Rooms

1.	NONE
----	------

Background Documents

Title of Background Paper(s)

Relevant Paragraph of the
Access to Information
Procedure Rules / Schedule
12A allowing document to be
Exempt/Confidential (if
applicable)

1.	None	
----	------	--

Background documents available for inspection at: N/A

E-mail: peter.rogers@southampton.gov.uk

FORWARD PLAN No: N/A

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED: N/A