

## Report for Information

**Report To:** Audit Committee

**Date:** 22 May 2009

**Subject:** The Annual Governance Statement

**Report of:** The Chief Executive, The City Solicitor and The City Treasurer

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### 1. Summary

- 1.1 To present a draft of the Annual Governance Statement which has been produced following the second annual review of governance and internal control arrangements within the Council.

### 2. Recommendations

- 2.1 To note the findings of the review of governance arrangements and internal control and the actions proposed to further develop or strengthen elements of the control environment during 2009/10 which are encapsulated within a draft of the Annual Governance Statement.
- 2.2 To request members to identify any matters disclosed within the Annual Governance Statement which require further, more detailed consideration by the Audit Committee.
- 2.3 To note the requirement for Audit Committee to approve the final Annual Governance Statement at the meeting to be held on 25 June.

### 3 Wards Affected:

N/A

### 4 Contact Officers:

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## 5. Implications for Key Council Policies

<b>Anti Poverty</b>	<b>Equal Opportunities</b>	<b>Environment</b>	<b>Employment</b>
None	None	None	None

## **6. Introduction**

- 6.1 Governance 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.
- 6.2 In essence, good governance ensures that an organisation is doing the right things, in the right way, for the right people, in a timely open and accountable manner.
- 6.3 There is a strong correlation between effective governance and effective service delivery. Therefore to deliver the Council's ambition and support the drive for continuous improvement, strong governance arrangements need to be in place.
- 6.4 The Annual Governance Statement (AGS) was a new statutory requirement introduced last year, comprising an assessment of governance arrangements and internal controls across the whole organisation against the Council's Code of Corporate Governance and whether these are supported by robust assurance processes. This review includes:
- The robustness of the Council's risk management, performance management, financial management, legal and regulatory, IT and human resources processes and having the evidence to support that these are in place;
  - The governance arrangements in place for the management of partnerships;
  - The work and effectiveness of the internal audit function; and
  - Assurances from those managing the business (i.e. our Heads of Service) that the processes in their area of business are robust and complied with. This is undertaken by a Heads of Service/Corporate Function Governance Assurance questionnaire.
- 6.5 The external assessment of the AGS is a key component of the Use of Resources and Organisational Assessment elements of the Comprehensive Area Assessment. As such, the Council's ability to demonstrate an awareness of where weaknesses exist within its governance arrangements and to develop and implement appropriate improvement plans will be a key piece of evidence required to maintain a UoR score of 3 in 2009 and to achieve a UoR score of 4 by 2010.

## **7 Preparation of the Annual Governance Statement**

- 7.1 The Accounts and Audit Regulations require that the Council reviews, at least annually, its governance arrangements and, following this, agrees an Annual Governance Statement for publication in its Accounts.

- 7.2 The completion of the annual review of governance arrangements has been undertaken by a Working Group led by the Head of Financial Management and the Interim Head of Finance (Corporate and Strategic) and including the Interim Assistant Chief Executive Performance, Head of Corporate Performance as well as representatives from Legal Services and Internal Audit.
- 7.3 The annual review has assessed the Council against its Code of Corporate Governance. In undertaking the annual review the following sources of assurance were considered:
- Self assessment against the Code of Corporate Governance completed by the Working Group
  - Head of Service self assessments against a number of key evaluation criteria
  - Partnership registration and self assessment returns;
  - Draft Interim Head of Internal Audit Assurance Statement (March 2008-April 2009), which is attached at Appendix 1 to this report; and
  - External Audit "*Annual Audit and Inspection Letter*" – March 2009 and associated External Audit reports
- 7.4 A further input, the annual review of the effectiveness of the system of internal audit is not yet available therefore the relevant area in the AGS for which this is required has yet to be drafted.
- 7.5 The essence of the review is encapsulated within the draft AGS as are those matters which warrant specific mention in terms of ongoing development. The draft AGS has been considered by:
- The Strategic Management Team (SMT) at its meeting of 27 April; and
  - The Resources and Governance Overview and Scrutiny Committee Governance Sub-Group on 6 May. The Minutes of this meeting are attached at Appendix 2 and the subsequent amendments to the AGS have been underlined in the updated draft attached at Appendix 3.
- 7.6 The format of the AGS follows the best practice approach outlined by CIPFA, which requires the Statement to include the following:
- An introduction setting out an explanation of Corporate Governance and the purpose of the AGS;
  - A description of the key elements of the systems and processes which comprise the Council's governance arrangements;
  - A description of the review work within the Council to provide assurance on the governance framework;
  - A summary of the significant governance areas where the Council will focus its efforts over the coming year; and
  - An Appendix which cross references the action plan from the prior year AGS to commentary within the body of the document about its delivery.

- 7.7 In addition, this year, an appendix which references the significant governance areas identified in last year's AGS to the relevant commentary on action taken in this year's AGS has been included.
- 7.8 A draft of The Manchester City Council Annual Governance Statement is presented at Appendix 3 of this report and, once finalised and approved, will be contained within the Annual Statement of Accounts as required by the Accounts and Audit Regulations 2003. The statement will need to be signed by the Chief Executive and Leader prior to the Audit Committee meeting of 25 June.
- 7.9 Also attached for information at Appendix 4 of this report is the Manchester City Council's Code of Corporate Governance