

## **GWYNEDD COUNCIL**

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| COMMITTEE         | <b>AUDIT COMMITTEE</b>  |
| DATE              | <b>8 JULY 2010</b>  |
| TITLE             | <b>GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2009/10</b>  |
| PURPOSE OF REPORT | <b>TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2009/10 TO THE AUDIT COMMITTEE FOR APPROVAL</b> |
| AUTHOR            | <b>DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK</b>   |
| ACTION            | <b>TO APPROVE THE STATEMENT AND ALLOW IT TO BE SIGNED BY THE COUNCIL LEADER AND THE CHIEF EXECUTIVE</b>   |

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### **I. INTRODUCTION**

- I.1 Amongst the requirements placed on local authorities in Wales by the Accounts and Audit Regulations (Wales) 2005 is the need to produce an annual Statement on Internal Control (SIC), pursuant to regulation 4(2)(a):

**The local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, when relevant, with any statement of accounts it is obliged to publish.**

- I.2 "Proper practice" is defined as CIPFA's Statement of Recommended Practice ("SORP"), the Code of Practice on Local Authority Accounting in the United Kingdom, which states that the Statement of Internal Control or Annual Governance Statement should contain:
- (a) An acknowledgement of responsibility for ensuring there is a sound system of internal control.
  - (b) An indication of the level of assurance that a system of internal control can provide.
  - (c) A brief description of the key elements of the internal control environment including controls relating to group activities where the activities are significant.
  - (d) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role of: the authority; the executive; the audit committee/overview and scrutiny committee/risk management committee; internal audit and other explicit review/assurance mechanisms.
  - (e) An outline of the actions taken, or proposed, to deal with significant internal control issues.

## **2. STATUS OF THE STATEMENT**

- 2.1 There is no statutory requirement on Wales' local authorities to produce an annual governance statement beyond the requirement for a Statement of Internal Control.
- 2.2 Following a consultation exercise, the Accounts and Audit Regulations (Amendments) (Wales) 2010 came into force in March and April 2010. These regulation amend – rather than replace – the 2005 regulations. There had been an expectation that the regulations would make an Annual Governance Statement, containing information beyond the requirements of a Statement of Internal Control, mandatory. This would make the requirements on local authorities in Wales consistent with the current requirement on authorities in England. In the event, these changes were not included in the regulations, but the Assembly Government has intimated that this requirement may be in place by next year.
- 2.3 In preparing the voluntary statement, the Council must ensure that it incorporates the statutory requirements as outlined in the Regulations. To ensure that this happened, the guidelines published by professional bodies such as CIPFA and SOLACE were followed so that the Annual Governance Statement contains all the elements that would have been included in the Statement on Internal Control in the past.
- 2.4 The Annual Governance Statement, which incorporates the statutory Statement on Internal Control, and which is to be approved by the Audit Committee and signed by the Chief Executive and Council Leader, is included in pages 7 to 18 of the Statement of Accounts presented to the Committee as a separate item.
- 2.5 The Statement has been set out in accordance with the standard CIPFA/SOLACE format, which is:
- Part 1: Scope of Responsibility
  - Part 2: The Purpose of the Governance Framework
  - Part 3: The Governance Framework (i.e. a description of the governance arrangements in place at the Authority)
  - Part 4: Effectiveness of the Governance Framework
  - Part 5: Significant Governance Issues (i.e. governance issues that require further attention)
  - Part 6: Statement of Opinion

### **3. EVIDENCE**

3.1 When preparing the Annual Governance Statement, it is essential that evidence is in place in order to support the contents before the document is published. For this purpose a database is used to collect evidence to support the Governance Statement.

3.2 This database is divided to the headings contained in Part 3 of the Statement, in accordance with the CIPFA/SOLACE format:

- Identify and communicate the authority's vision
- Review the authority's vision and its implications for the governance arrangements
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and best use of resources
- Define and document the responsibilities, with clear delegation arrangements for effective communication
- Develop and communicate codes of conduct for members and staff
- Review and update processes and controls required to manage risks
- Function of the audit committee
- Ensuring compliance with relevant laws, regulations, internal policies and that expenditure is lawful
- Whistle blowing and receiving complaints from the public
- Identify and develop the needs of members and senior officers
- Establishing clear channels of communication with the community and other stakeholders, ensuring accountability and open consultation
- Incorporating good governance arrangements in respect of partnerships and reflecting these in the governance arrangements
- Arrangements for ensuring adequate and effective financial management

3.3 The evidence collected to prepare the Statement includes:

- The Council's Constitution:
  - Protocols for the discharge of the statutory functions of the Monitoring Officer and the Chief Financial Officer.
  - Schemes of Delegation
  - Rules of Procedure
  - Codes of conduct for members and officers
- Gwynedd Council's Three-Year Plan and reviews thereof
- Internal Audit Strategy
- The Annual Report by the "Head of Internal Audit"
- Audit reports presented to the Audit Committee
- The Financial Strategy
- Performance management guidance notes
- Risk Management Strategy and Policy
- Job descriptions for the statutory officers

3.3 Statements, comments and declarations from these sources and from key officers were used to write the AGS.

### **4. RECOMMENDATION**

4.1 The Audit Committee is requested to approve the Annual Governance Statement, incorporating Gwynedd Council's Statement on Internal Control for the 2009/10 financial year and the period since the balance sheet date.