

**BRIDGEND COUNTY BOROUGH COUNCIL  
AUDIT COMMITTEE**

**4<sup>th</sup> June 2008**

**REPORT BY THE CORPORATE DIRECTOR – RESOURCES**

**ANNUAL GOVERNANCE STATEMENT 2007/08**

**Purpose of this report**

- 1.0 The purpose of this report is to seek a recommendation from the Audit Committee that the Annual Governance Statement (AGS), as prepared, be included within the Authority's Statement of Accounts for 2007/08.

**Connections to Corporate Improvement Plan**

- 2.0 Achievement of the aims and objectives within the Corporate Improvement Plan will be dependant on the effective workings of internal controls within the Authority, as reviewed in the Annual Governance Statement.

**3.0 Background**

- 3.1 Regulation 4 of the Accounts and Audit (Wales) Regulation 2005 introduced a requirement for the Authority to be explicitly responsible, as part of its arrangements for Corporate Governance, for annually reviewing and reporting on internal control. To meet this requirement, the Authority produced a Statement of Internal Control (S.I.C.) that was published within its Statement of Accounts for the year signed by the Leader of the Council and the Chief Executive.
- 3.2 This was also the case in England until this financial year. The new CIPFA/SOLACE governance framework requires English Authorities to prepare and publish an Annual Governance Statement in order to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 thus replacing the Statement of Internal Control for the Statement of Accounts 2007/08.
- 3.3 In Wales, it is likely that a review of the current Regulations will adopt the good governance framework as proper practices for the purposes of the Accounts and Audit (Wales) Regulations. This would result in the Annual Governance Statement being mandatory for the 2008/09 Accounts. The Assembly is encouraging Authorities in Wales to adopt this on a voluntary basis for 2007/08.
- 3.4 Also, the Statement of Recommended Practice (SORP) 2007 allows councils to produce a wider ranging statement on internal control and/or

corporate governance arrangements. If this takes the place of the Statement of Internal Control, it must at least meet the minimum requirements for a S.I.C.

#### **4. Current Situation / Proposal**

##### **CIPFA/SOLACE Governance Framework Core Principles**

4.1 The six core principles of good governance in the CIPFA/SOLACE framework are:

1. Focusing on the Council's purpose and community needs, creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Council and demonstrating the values of good governance;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public Accountability.

4.2 Each core principle has a number of supporting principles outlining what they mean. The supporting principles in turn translate into a range of specific requirements that should be in place within the Council and ideally reflected in the Council's local code of corporate governance.

##### **The Annual Governance Statement Process 2007/08**

4.3 As 2007/08 was the first year where the AGS has been produced, the process established was very much of a learning exercise. The AGS needs to be a corporately owned statement and must be supported by adequate evidence. An exercise was undertaken to establish examples of Assurances together with evidence of documents within the Council to support the Assurances. The Action Plan from the Statement of Internal Control 2006/07 was used as the basis for an action plan for the AGS.

4.4 A draft AGS based on CIPFA / SOLACE Delivering Good Governance in Local Government together with the Assurance Gathering Evidence was reviewed by the Corporate Management Board. The Action Plan was updated with new governance issues included in it.

4.5 The Action Plan will be reviewed through the Quarterly Business Review process to ensure that the AGS process will be a continuous one through out the year.

**5. Effect upon policy framework and procedural rules**

None

**6. Legal implications**

None

**7. Financial implications**

None

**8. Recommendations**

- 8.1** It is recommended that Audit Committee critically review the Annual Governance Statement (Appendix A) and recommend approval for inclusion in the Statement of Accounts 2007/08.

**Gareth Moss BA (Hons) CPFA  
CORPORATE DIRECTOR - RESOURCES**

**21st May 2008**

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Background Papers: Accounts and Audit Regulations (2005)  
CIPFA / SOLACE Delivering Good Governance in Local  
Government - Framework  
CIPFA FAN The Annual Governance Statement –  
Rough Guide for Practitioners