

## **SELECTION & CONSTITUTIONAL REVIEW COMMITTEE**

**4<sup>TH</sup> MAY 2010**

### **HANDLING OF THE ANNUAL GOVERNANCE STATEMENT**

Following recent meetings of the Audit Committee and the Executive (Minute Nos. 484/3/10 and 500/4/10 refer), the Selection & Constitutional Review Committee is now asked to consider the proposed changes to the handling of the Annual Governance Statement which, if supported, will require amendments to the Terms of Reference of both the Audit Committee and this Committee.

#### **Recommended:**

**That the Selection & Constitutional Review Committee agree that the Audit Committee be responsible for recommending the Annual Governance Statement for approval to the Executive (currently delegated to the Selection & Constitutional Review Committee) and that the Council discontinues preparing and approving a separate Statement on Internal Control (as this is part of the Annual Governance Statement).**

#### **Background**

Appended to this report for Members information is the relevant Minute of the Audit Committee held on the 22<sup>nd</sup> March 2010 and relevant Minute of and report to the Executive held on the 8<sup>th</sup> April 2010.

## **484 Statement of Accounts 2009/10 – A Review of Accounting Policies and Disclosure Requirements**

*(Only relevant part of the Minute attached)*

With regard to the second part of the report, the Deputy Chief Executive explained that it had been proposed to change the handling and approval of the Annual Governance Statement (AGS). When the statutory requirement to produce an AGS replaced the requirement to produce a Statement on Internal Control (SIC) the Council had agreed it would nevertheless continue to produce a SIC as it essentially focussed on the internal control aspects overseen by the Audit Committee, whilst the wider focus of the AGS would be best overseen by the Selection & Constitutional Review Committee. However, given that the AGS must also be part of the Statement of Accounts approved by the Audit Committee, this separation had, with hindsight, created a loop in reporting that could be avoided by placing full responsibility for the AGS with the Audit Committee. Officers were not aware of another Council maintaining such a split.

The Leader of the Council said he agreed that this Committee should consider the AGS rather than Selection & Constitutional Review, but wondered if it would be better if it was recommended to the Executive for approval as that would then give Overview & Scrutiny the opportunity to call it in if they had concerns.

In response to a question the Deputy Chief Executive assured Members that any issues raised as significant control issues by any area of the democratic process would be included in the AGS. Members said that the wider scope of the AGS would perhaps mean that Audit Committee Members may need to establish a wider understanding of specific governance issues with regard to issues such as Standards and Partnerships which would be flagged where appropriate within the AGS, including an indication of the relevant Committee tasked with following up the matter.

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## **500 Handling of Annual Governance Statement 2009-10**

The report provided a summary of the historical format for the presenting of the statutory governance information and asked the Executive to consider a new system of reporting of the Annual Governance Statement incorporating the Annual Governance Statement and Statement of Internal Control. Tabled at the meeting was a supplementary note which dealt with the role of the Governance Management Board and the production of the 2010 Annual Governance Statement.

### **Recommended:**

**That the proposed changes to the handling of the Annual Governance Statement be approved and an amendment to the Audit Committee's Terms of Reference be considered**

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## Supplementary Note relating to Agenda Item 13 – Annual Governance Statement

### Role of Governance Management Board in the production of the 2010 Annual Governance Statement

In respect of the Agenda Item specified above, the issue of the future and continuing role of the Governance Management Board in the drafting and discussion of the Annual Governance Statement is not covered in the main report. This note aims to address this issue and clarify the role of the Board with regards the production of the Annual Governance Statement for 2010.

Within the creation of previous Annual Governance Statements, a Governance Management Board was formed, consisting of the Chairs of the Audit, Standards, Overview & Scrutiny and Selection & Constitutional Review committees as well as the Chief Executive, Deputy Chief Executive (as Section 151 Officer), Head of Legal & Democratic Services (as Monitoring Officer) and the Head of Internal Audit. This board is responsible for considering a draft of the Annual Governance Statement (including, importantly, agreeing on any significant control weaknesses to be reported) and recommending its adoption to members.

This Board offers a valuable forum for discussion amongst a wide range of officer and member remits, and is a highly useful tool in the final drafting of the Statement itself.

It is the intention that the Governance Management Board, with its role in facilitating cross-committee discussion prior to the formal presentation of the Annual Governance Statement, be retained. In the context of the changes proposed the Board will consider the Annual Governance Statement before recommending its adoption to the Audit Committee.