

## PART A

**Report to:** Audit Committee  
**Date of meeting:** 27<sup>th</sup> June 2012  
**Report of:** Head of Strategic Finance  
**Title:** Annual Governance Statement 2011/2012

### 1.0 **SUMMARY**

1.1 This report sets out the Annual Governance Statement (Appendix A) that the council is required to produce annually, for inclusion in the Statement of Accounts. Best practice requires that Members consider this separately before inclusion within the accounts.

### 2.0 **RECOMMENDATIONS**

2.1 That the Annual Governance Statement set out as Appendix A be approved,

**Contact Officer:**

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance, telephone extension: 8189 email: [bernard.clarke@watford.gov.uk](mailto:bernard.clarke@watford.gov.uk)

### 3.0 **DETAILED PROPOSAL**

3.1 It is a statutory requirement that all authorities are required to produce an Annual Governance Statement (AGS). The purpose of the Statement is to demonstrate that the council has put in place proper arrangements for the governance of its affairs and for their continued effectiveness.

3.2 Recent guidance has been received from the Council's External Auditors, Grant Thornton, regarding what they deem to be best practice and includes:

- the AGS should clearly highlight what issues are significant (and exclude those of a minor nature)
- have only significant weaknesses recorded with SMART action planning
- provides a robust, transparent and honest assessment of the governance framework for the year.
- needs to indicate clear ownership and challenge

Sections 12 & 13 at Appendix A has attempted to follow this guidance and has focused upon the 'big picture'.

3.3 Its main conclusions were:

- Councils need to have more transparent and accessible public reporting, particularly the Annual Governance Statement
- Councils need to ensure that they invest in people to ensure effective governance arrangements when risk is increasing but resource is reducing
- Councils should do more to review and challenge the effectiveness of the components of their governance frameworks (eg audit and scrutiny committees).

These conclusions do not necessarily apply fully to Watford as its current reporting of the AGS includes its availability on the Council's website. A very relevant issue, however, relates to the need to ensure effective governance arrangements whilst simultaneously reducing levels of staffing to meet public expenditure reductions. In that respect it is incumbent upon all levels of government to reduce the amount of bureaucracy and unnecessary reporting that is all too prevalent at the present time. The continuous production of 'incomprehensible international audit standards' also does not help in achieving lean and effective governance.

3.4 The Grant Thornton review also indicated that 25% of Governance Statements did not appear within the Statement of Accounts and, where they did, 62% were not prominently displayed. In this respect, Watford's Annual Governance Statement appears at the very beginning of the Annual Statement of Accounts and must be deemed best practice.

3.5 With regard to the detailed Governance Statement at Appendix A, the Audit Committee's attention is particularly drawn to the section on Significant Governance issues, which sets out priority areas for improvement. The guidance on the AGS is very clear that an AGS with no such issues to report is likely to be a sign of an ineffective governance culture. The Governance Statement is based on a format compiled by CIPFA as a good practice example.

3.6 In accordance with recommended practice, the Governance Statement has been reviewed by Leadership Team on 15th May 2012.

#### 4.0 **IMPLICATIONS**

##### 4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications arising directly from this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that the requirement to publish an Annual Governance Statement arises from the Accounts and Audit (Amended) Regulations (England) 2006.

4.3 **Equalities**

4.3.1 The Council's commitment to equalities is reflected in its values and hence in this Statement.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
Failure to correctly identify key issues	2	4	8
The ongoing review of the Governance Statement is designed to minimise the risk of over-looking important issues. Failure to do so could lead to problems for the council, including financial loss, reputational risk and adverse comment from the external auditor.			

Appendix A - Annual Governance Statement

Background Papers

If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.”

Delivering Good Governance in Local Government – SOLACE/CIPFA  
The Annual Governance Statement – CIPFA Finance Advisory Network

File Reference

None