

Southend-on-Sea Borough Council

Agenda
Item No.

4

Report of Chief Executive and Town Clerk

to

Audit Committee

on

22 June 2011

Report prepared by: Linda Everard, Head of Internal Audit

South Essex Homes, Annual Governance Reports 2010/11

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present South Essex Homes' key end of year governance reports to the Audit Committee.

2. Recommendation

- 2.1 The Audit Committee accepts the assurance provided by South Essex Homes regarding the operation of its systems of internal control / governance arrangements throughout 2010/11.**

3. Background

- 3.1 South Essex Homes is a wholly owned company of the Council. As such:

- its accounts are consolidated into the Council's financial statements; and
- disclosures regarding the adequacy and effectiveness of its systems of internal control / governance arrangements are included in the Council's Annual Governance Statement.

- 3.2 In 2010/11, South Essex Homes produced a Governance Statement for the company based upon CIPFA good practice guidance (see background information below). Two key sources of evidence that supported this assessment were:

- the Head of Internal Audit Annual Report
- the Audit Committee Annual Report

- 3.3 The Committee is required to assess whether the Council's Annual Governance Statement is accurate and reflects how both it's own as well as South Essex Homes' business processes operated throughout 2010/11. Therefore to help support this assessment, the following end of year reports have been provided:

- Head of Internal Audit Annual Report 2010/11
- Audit Committee Annual Report 2010/11
- Annual Governance Arrangements Assessment and Action Plan 2010/11

3.4 South Essex Homes' Audit Committee chairman and the Interim Director of Finance will present these reports to Committee and respond to Members' questions.

4. Corporate Implications

4.1 Contribution to Council's Aims, Priorities and Outcomes

Governance type work contributes to the delivery of all the Council's corporate Aims, Priorities and Outcomes.

4.2 Financial Implications

None.

4.3 Legal Implications

Accounts and Audit Regulations 2003 paragraph 4(2) states that:

"...The relevant 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..."

The supporting supplement to this framework serves to define "proper practice" in this context.

Section 4 of the Accounts and Audit (Amendment) (England) Regulations 2006 require:

"...The findings of the review of the systems of internal control shall be considered by a committee of the relevant body, or by the members of the relevant body meeting as a whole, and following that consideration, shall approve a statement on internal control, prepared in accordance with proper practices in relation to internal control..."

For this purpose, proper practice is considered to be the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.

4.4 People and Property Implications

None.

4.5 Consultation

All of these reports have been approved by South Essex Homes Board.

4.6 Equalities Impact Assessment

None.

4.7 Risk Assessment

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities won't be delivered.

4.8 Value for Money

None.

4.9 Community Safety Implications and Environmental Impact

None.

5 Background Papers

5.1 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.

5.2 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities.

5.3 The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.

5.4 The Accounts and Audit Regulations 2003.

5.5 The Accounts and Audit (Amendment) (England) Regulations 2006.

6 Appendices

- **Appendix 1:** South Essex Homes, Head of Internal Audit Annual Report 2010/11
- **Appendix 2:** South Essex Homes, Audit Committee Annual Report 2010/11
- **Appendix 3:** Annual Governance Arrangements Assessment and Action Plan 2010/11