

GWENT POLICE AUTHORITY

AUDIT AND RESOURCES COMMITTEE

Date: 25 June 2009

Item No: 8a

Heading: Annual Governance Statement 2008-09

Report Author: Treasurer

SUMMARY

The Accounts and Audit (Wales) Regulations 2005 require the Authority or delegated committee to approve a Statement on Internal Control for inclusion in the Statement of Accounts. In England the requirements for local authorities and police authorities relating to statements on internal control have been subsumed into the requirement for a wider ranging Annual Governance Statement. Amendment Regulations are expected to be issued in Wales requiring the inclusion of Annual Governance Statements in statements of accounts for 2009-10 and beyond, but the Authority has the option for 2008-09 of producing either a Statement on Internal Control or an Annual Governance Statement.

The Chief Internal Auditor has concluded from the Internal Audit work undertaken in relation to 2008/09 that the main systems of internal control remain sound and may be relied upon to minimise the risk of loss and protect the integrity of the Authority. The Police Authority is justified in taking assurance from the Internal Auditor's opinion in approving the Annual Governance Statement.

RECOMMENDATION

That the Police Authority approves the Annual Governance Statement for inclusion in the Statement of Accounts 2008/09.

1. BACKGROUND

1.1 The Accounts and Audit (Wales) Regulations 2005 require the Authority or delegated committee to approve a Statement on Internal Control for inclusion in the Statement of Accounts. The Statement on Internal Control must cover the whole governance of the Authority and not merely the financial control. It represents the end result of the review of internal control, including the process of risk management that should be embedded throughout the activities of the Authority. The Statement on Internal Control should explain the nature of control and any material changes in control, exercised through the whole of the accounting period. Compilation of the Statement on Internal Control involves the Authority in:

- i. reviewing the adequacy of governance arrangements;

- ii. knowing where it needs to improve those arrangements; and
 - iii. communicating to users and stakeholders how better governance leads to better quality services.
- 1.2 Once approved, the Statement on Internal Control should be signed by the Chief Executive, the Chief Constable and the Treasurer. The Chairperson of the Authority is also required to sign the Statement unless approval is given by a committee under delegated powers, in which case the chairperson of that committee must sign.
- 1.3 Police Authorities in England are required to include an Annual Governance Statement in their Statement of Accounts and this statement subsumes the safeguards and assurances of the Statement on Internal Control. Amendments to the Accounts and Audit (Wales) Regulations 2005 are expected that will introduce a similar requirement for Wales for the 2008-09 Statement of Accounts.

2. **PROPOSAL FOR CONSIDERATION BY THE AUTHORITY**

- 2.1 The scope of internal control spans the whole range of Authority/Force activities and includes those controls designed to ensure:
- i. the Authority's policies are put into practice;
 - ii. the organisation's values are met;
 - iii. laws and regulations are complied with;
 - iv. required processes are adhered to;
 - v. financial statements and other published information are accurate and reliable;
 - vi. human, financial and other resources are managed efficiently and effectively; and
 - vii. high quality services are delivered efficiently and effectively.
- 2.2 Operations are ultimately derived from the objectives of the Authority/Force. The Authority should consider the risks to achieving these objectives and ensure that controls are in place to mitigate them through the application of a risk management process.
- 2.3 Assurance derived through the monitoring of processes, including risk management, provides evidence that allows the Authority to form conclusions on the efficiency and effectiveness of operations and mitigate future financial and service delivery risks.
- 2.4 Having established a system of internal control it is then necessary to consider which of these controls are key in mitigating against significant risks to the achievement of the Authority's/Force's principal objectives. By obtaining assurance on the effective operation of these key controls the Authority is able to conclude on the effectiveness of the system of internal control and identify

areas where improvement is needed. By following this process the Authority is able to prepare a Statement on Internal Control.

2.5 The Authority should put in place a process to maintain the system of internal control and keep it up to date. In practice this process may be closely aligned with arrangements to review and keep up to date the Authority's risk management.

2.6 A recommended Annual Governance Statement for the financial year ended 31 March 2009 is attached as an appendix to this report.

3. **STAFFING/PERSONNEL IMPLICATIONS**

3.1 There are no staffing/personnel implications stemming directly from this report.

4. **FINANCIAL IMPLICATIONS**

4.1 There are no financial implications in this report.

5. **CONSULTATION**

5.1 The Chief Executive and the Chief Constable were consulted on this report.

6. **PROJECT ASSESSMENT FOR EQUALITY AND DIVERSITY MATTERS**

6.1 This project/proposal has been considered against the general duty to promote equality, as stipulated under the Police Authority's Race Equality Scheme, and has been assessed not to discriminate against any particular group.

7. **RISK ASSESSMENT**

7.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

8. **STAYING AHEAD (2011 REVIEW)**

8.1 Consideration has been given to the implications of the 2011 project in the preparation of this report and there are no issues to be raised at this particular time.

9. **CONCLUSION**

9.1 The Chief Internal Auditor has concluded from the Internal Audit work undertaken in relation to 2008/09 that the main systems of internal control remain sound and may be relied upon to minimise the risk of loss and protect the integrity of the Authority. The Police Authority is justified in taking assurance from the Internal Auditor's opinion in approving the Annual Governance Statement 2008-09.

10. **CONTACT OFFICER**

10.1 Neil Phillips – Treasurer

11. **BACKGROUND PAPERS**

11.1 The Accounts and Audit (Wales) Regulations 2005.

11.2 Gwent Police Authority Internal Audit Annual Report 2008/09.

11.3 The CIPFA, APA and ACPO document, “Delivering Good Governance in Local Government – Guidance for Police Authorities and Forces.

12. **APPENDIX**

12.1 Proposed Annual Governance Statement 2008-09