

Audit and Corporate Governance Committee Report



Report of Head of Legal and Democratic Services

AGENDA ITEM NO 8

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To: AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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Draft Statement on Internal Control and Code of Corporate Governance Assurance Statement

Recommendation

That the Committee approves the draft Statement on Internal Control for inclusion in the Statement of Accounts.

Purpose of Report

1. The purpose of this report is to seek the Committee's approval of the draft Statement on Internal Control (SIC) for inclusion in the Council's Statement of Accounts. It also presents the Code of Corporate Governance Assurance Statement which gives the Committee assurances that the Council monitors corporate governance.

Strategic Objectives

2. The SIC brings together all of the Council's strategies, initiatives and work plans. It provides the basis from which the Council can fulfil its role as a community leader in South Oxfordshire.

Background

STATEMENT ON INTERNAL CONTROL

3. The Accounts and Audit Regulations (2003) require local authorities to carry out a review of the effectiveness of the system of internal control and risk management and publish a SIC each year with the annual Statement of Accounts.
4. The draft SIC for 2006/07 is attached to this report at appendix A. The Committee needs to gain assurances that the effectiveness of the system of internal control and risk management is monitored to enable approval of the SIC. The following sets out how these assurances can be gained from the Code of Corporate Governance Assurance Statement (previously known as the Local Code).

CODE OF CORPORATE GOVERNANCE ASSURANCE STATEMENT

5. Whilst the Accounts and Audit Regulations (2003) give emphasis to internal control and risk management, the Chartered Institute of Public Finance and Accountancy (CIPFA) acknowledges that risk management and internal control are *elements* of good corporate governance. In the CIPFA/SOLACE (Society of Local Authority Chief Executives) 2001 publication *Corporate Governance in Local Government – a Keystone for Community Governance: the Framework*, corporate governance is defined as "the system by which local authorities direct and control their functions and relate to their communities".
6. More recently the Improvement Network described governance in simple terms, stating that it is, "like the brain and nervous system. When working well it provides clear direction, anticipates danger, communicates, is inclusive, moves and acts, all the while giving out and receiving information so that it can take remedial action and change course".
7. In acknowledgement of the wider aspects of corporate governance, i.e. directing and controlling functions and relating to communities, the Council adopted its Corporate Governance Local Code in 2003 which is based on CIPFA/SOLACE's 2001 framework document. A copy of this Local Code is contained within the Constitution.
8. Until 2006 our approach was to update the Local Code with historical information outlining actions taken to date. Over recent months the objective has been to create a *forward looking* performance monitoring system for corporate governance, capable of being built in to the Council's existing performance management system for Best Value Performance Indicators (BVPIs) and Local Performance Targets (LPTs). As such, future corporate governance performance monitoring

will set targets to demonstrate improvements in all aspects of the Council's governance arrangements.

9. To this end, we have now prepared a Code of Corporate Governance Assurance Statement which is attached to this report at appendix B. It takes the form of a spreadsheet detailing performance against objectives. The blue shaded areas of the spreadsheet indicate the practices arising from the Local Code with which the Council needs to comply to demonstrate good governance. Many of the objectives within this spreadsheet are already contained within the Council's existing performance management system and can also be used to demonstrate good corporate governance. Those objectives with a reference in the "source" column have been lifted from the existing performance management system with the performance updates being current at December 2006. At present, the Council's performance management database is *open* for updates by departments. The system will close on the 11 April so a verbal update on performance against objectives will be given at the Committee.
10. The Code of Corporate Governance Assurance Statement is a document from which the Committee can gain assurances that principal statutory obligations are identified; that corporate objectives have been established and performance management arrangements are in place to monitor those objectives; that risks are identified and managed and key controls are in place to manage those risks.
11. Ultimately, this spreadsheet enables the Committee to gain the necessary assurances that corporate governance is effectively monitored to enable approval of the Statement on Internal Control.

FUTURE DEVELOPMENTS IN CORPORATE GOVERNANCE MONITORING

12. In the summer of 2006 CIPFA/SOLACE undertook a consultation on a revised framework for corporate governance. CIPFA/SOLACE embarked on this consultation because governance arrangements in the public sector are keenly observed. In addition, the original framework document underpinning the Local Code was published in 2001. As there has been continued reform to improve accountability and engagement, a revised framework is considered timely.
13. It is anticipated that the revised framework will provide guidance that fits with other local government initiatives and guidance. For instance, the Independent Commission on Good Governance in Public Services produced the "Good Governance Standard for Public Services" the tenets of which will feed into the draft framework. In addition the guidelines are expected to include examples of systems, processes, documentary evidence and good practice. The results of the consultation are due for publication in June 2007.
14. Once the requirements of the new model code of corporate governance become apparent, we will update the Committee and set out our proposals for monitoring corporate governance within the Council.

Financial Implications

15. There are no financial implications arising directly from this report.

Legal Implications

16. The statement of internal control complies with the requirements of the Accounts and Audit Regulations 2003.

Conclusion

17. The Committee is asked to approve the SIC for inclusion in the Statement of Accounts. The Committee is also asked to note the Code of Corporate Governance Assurance Statement giving the Committee assurance that corporate governance is monitored within the Council. The Code of Corporate Governance Assurance Statement is a forward looking performance management approach and is a new method of measuring corporate governance. It will be developed, in consultation with the Committee, as the outcome is known of last year's consultation on a new revised framework for corporate governance.

Background papers:

- Corporate Governance Local Code
- Good Governance in Local Government: A Framework (consultation draft June 2006)