

Audit and Corporate Governance Committee Report



Report of Head of Legal and Democratic Services

AGENDA ITEM NO 9

Author: Kathy Fiander

Tel: 01491 823649

E-mail: kathy.fiander@southoxon.gov.uk

To: Audit and Corporate Governance Committee

DATE: 5 December 2007

Delivering good governance in local government

Purpose of Report

1. There are two parts to this report. The first part of the report relates to the Council's *existing* method for governance monitoring. It presents the *Code of Corporate Governance Assurance Statement* which gives the Committee assurances that the Council takes action to ensure good governance. The Code of Corporate Governance Assurance Statement is attached to this report as a spreadsheet. The Committee is required to note performance against the measures set out in the spreadsheet and, if necessary, seek further assurances to enable the Committee to approve the *Annual Governance Statement* at its March 2008 meeting. Once approved by this Committee, the *Annual Governance Statement* is included in the Council's accounts.
2. The second part of this report gives an overview of *future* governance arrangements following publication of the framework "Delivering Good Governance in Local Government" in July 2007.

Strategic Objectives

3. The Annual Governance Statement 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.

Governance

4. The Constitution states that this Committee's responsibility is "to consider corporate governance matters and make any recommendations thereon". The following are some definitions of governance.
5. Governance is defined as "the system by which local authorities direct and control their functions and relate to their communities".
6. The Chartered Institution of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) state that "good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. All authorities should aim to meet the standards of the best and governance arrangements should not only be sound but also be seen to be sound".
7. Elsewhere, the Improvement Network described governance more simply, 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".

Annual governance statement

8. Both our current and future governance arrangements require¹ that we carry out a review of the effectiveness of the system of internal control. Consequently we need to produce an Annual Governance Statement. The Annual Governance Statement is then included within the Statement of Accounts².
9. In order to approve the Annual Governance Statement, the Committee needs to gain assurances about the effectiveness of the system of internal control. The following sets out how these assurances can be gained from the attached spreadsheet known as the Code of Corporate Governance Assurance Statement.

Current governance arrangements: the Code of Corporate Governance Assurance Statement

10. Our *existing* method of governance monitoring uses the *Code of Corporate Governance Assurance Statement* (the spreadsheet attached at appendix A to this document), which is based on the Code of Corporate Governance within the Council's Constitution.
11. Until 2006 our approach was to gain assurances through seeking historical information outlining actions taken to date. Late in 2006, the objective was 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).

12. The document at appendix A takes the form of a spreadsheet detailing performance against objectives. The blue shaded areas of the spreadsheet indicate the practices arising from the Code of Corporate Governance within the Constitution with which the Council needs to comply to demonstrate good governance. The performance update is current at September 2007 and is a half-yearly update on performance.
13. 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.

Future governance arrangements

14. At the meeting of the Audit and Corporate Governance Committee on 11 April 2007 we reported that CIPFA and SOLACE were jointly producing a new governance framework which would guide South Oxfordshire District Council's future governance arrangements.
15. Although initially expected during March/April 2007, the revised framework, *Delivering Good Governance in Local Government*, was received in July 2007.
16. The revised framework builds on recent governance work in both the public and the private sector and in particular *the good governance standard for public services* drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management in partnership with the Joseph Rowntree Foundation.
17. The *Delivering Good Governance in Local Government* publication is intended to be followed as best practice for developing and maintaining a local code of governance and making adopted practices open and explicit. The development of a code of corporate governance, consistent with the principles and requirements of the framework, will help to ensure proper arrangements to ensure continuing compliance with best practice as set out in the framework.
18. Authorities are urged to test the effectiveness of their structures by:
 - reviewing existing arrangements against the new governance framework
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness

- preparing a governance statement in order to report publicly on the extent to which they comply with their code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

19. In order to review the existing arrangements authorities will need to:

- consider the extent to which the authority complies with the principles and requirements of good governance set out in the framework
- identify systems, processes and documentation that provide evidence of compliance
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
- identify the individuals who would be responsible for undertaking the actions required and plan accordingly

20. We have commenced a review of the existing arrangements as the guidance suggests. We are aware that the new governance framework differs from the old governance framework and we need to take action to address the extent to which the Council complies with the principles and requirements of good governance.

21. It is not our intention to adopt a code based on the new framework within the current financial year for the simple reason that we were already nearly four months into the year when the new governance code became available. Our performance measures were already in place and operating when the governance code was published. However, we will review our existing governance arrangements against the new framework to provide assurances to the Committee that arrangements are in hand to demonstrate good governance in accordance with the new framework and also in accordance with the

old framework. This work will also coincide with internal audit reviews of risk management and corporate governance.

22. The Committee will receive a further report in March 2008 when it will also see the draft Annual Governance Statement.

Financial Implications

23. There are no financial implications arising from this report.

Legal Implications

24. The recommendations within this report fulfil the requirements of the Accounts and Audit Regulations (2003) as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

Human Resource Implications

25. There are no human resource implications arising from this report.

Sustainability Implications

26. There are no sustainability implications arising from this report.

Conclusion

27. The Code of Corporate Governance Assurance Statement is a forward looking performance management approach to measuring governance performance. The Committee needs to gain assurances from this document that governance arrangements are effective within South Oxfordshire District Council to enable approval of the Annual Governance Statement. A new governance code was published in July 2007 and ongoing work will take place to develop a local governance code and mechanisms for governance monitoring from which the Committee can gain assurances to enable approval of the Annual Governance Statement.

¹ The Accounts and Audit Regulations (2003) as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

² In previous years, we have been required to produce a Statement on Internal Control.