

# Audit and Corporate Governance Committee Report



Report of Head of Legal and Democratic Services

AGENDA ITEM NO 11

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To: AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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## Annual governance statement – framework for the statement

### Purpose of Report

1. The purpose of this report is to provide a framework for the Annual Governance Statement (AGS) which the Audit and Corporate Governance Committee will consider for approval in June 2008. Committee members should read this report in conjunction with the report on the *Annual Governance Statement – sources of assurance* which is included as a separate item on the agenda for this meeting.

### Strategic Objectives

2. The AGS 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

3. Attached at appendix 1 is the framework for this year's AGS. The main headings derive from a proforma AGS produced by CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives). Whilst the proforma statement provides the *framework* of the AGS, it does not provide all wording

although there are some standard paragraphs that provide the introduction to each section.

4. The four sections contained within the AGS are:
  - Scope of responsibility
  - The purpose of the governance framework
  - The review of effectiveness
  - Significant governance issues
  
5. The following considers each of these sections in turn and what will be described in them.

### **Scope of responsibility**

6. The scope of responsibility section will state that South Oxfordshire District Council is responsible for ensuring that its business is conducted properly, it will make reference to duties under the Local Government Act 1999 and also how it meets the requirements of the Accounts and Audit Regulations. It will contain standardised text, adapted for the council, provided by CIPFA/SOLACE.

### **Purpose of the governance framework**

7. The introductory paragraphs in this section say why we have a governance framework. In essence, it says that the governance framework exists to direct and control the council towards its objectives whilst engaging with the community. The section will contain some standardised text as provided by CIPFA/SOLACE.
8. This section will also describe the elements of the governance framework setting out the key areas of the Local Code of Governance.
9. It will also set out the key documents that we see as making up the internal control environment, highlighting that the system is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve our policies, aims and objectives. The system of internal control is an ongoing one, which has the following aims:
  - to identify the key risks to the achievement of our policies, aims and objectives
  - to evaluate the likelihood of those risks being realised
  - to assess their potential impact should they occur
  - to manage the risks effectively, efficiently and economically and where necessary prioritise them.

### **Review of effectiveness**

10. The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The assurance framework is an ongoing process and the production of the AGS is the culmination of that process.
  11. In this section we will describe the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, including comment on the roles of the officers and including reference to the sources of assurance as set out in the diagram in the *Annual Governance Statement - sources of assurance* report.
  12. In undertaking the review of effectiveness, we need to recognise that a revised code of governance was published in July 2007 when we were already four months into the financial year. Until the end of this financial year, we continue to report on the Local Code as adopted in 2003 and which is linked to our performance management database. The committee received an update against performance on this code at its December meeting. Elsewhere on the agenda for this meeting is the revised Local Code of Governance which asks the committee to adopt the new code with effect from the 2008/09 financial year.
  13. However, we need to acknowledge that the 2003 Local Code is that which we have operated in 2007/08 and the new code states that an effective governance framework demonstrates the attributes as outlined below. We will need to ensure that we have undertaken activities to ensure that we demonstrate these attributes and may need to report areas of risk if we need to take action in any areas.
- There is a clear vision of purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders.
  - Identifying and communicating the council's vision of its purpose and intended outcomes for citizens and service users.
  - Reviewing the council's vision and its implications for its governance arrangements
  - Measuring the quality of services for users, for ensuring they are delivered in accordance with the council's objectives and for ensuring that they represent best use of resources
  - Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions with clear delegation arrangements and protocols for effective communication.
  - Developing, communicating and embedding codes of conduct, defining the standards of behaviour for councillors and staff
  - Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manual which clearly define how decisions are taken and the processes and controls required to manage risks
  - Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities
  - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- Whistleblowing and for receiving and investigating complaints from the public
- Identifying and development needs of councillors and senior offices in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

### **Significant governance issues**

14. Having reviewed the governance framework and sought assurances from relevant officers, we will highlight any issues that have been evident/become evident and the actions we propose to take over the coming year to address any significant governance issues.

### **Financial Implications**

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

### **Legal Implications**

16. Production of the Annual Governance Statement complies with the requirements of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

### **Conclusion**

17. This report sets out the framework for the AGS, the key sections within that framework and the content of those sections. The report also outlines the key elements making up the internal control and governance frameworks. The Committee is asked to note this framework as a basis for the draft Annual Governance Statement which will be considered by the Audit and Corporate Governance Committee in June 2008.

### **Background papers:**

None