

Audit and Corporate Governance Committee Report



Report of Head of Legal and Democratic Services

AGENDA ITEM NO 10

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To: AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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Annual governance statement – sources of assurance

Purpose of Report

1. The purpose of this report is to explain the committee's role in approving the Annual Governance Statement (AGS) and to outline the key sources of assurance that ensure good governance, and thus underpin the AGS.

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

STATUTORY REQUIREMENTS

3. The AGS is a document that is included within the annual Statement of Accounts. The purpose of the AGS is to discharge South Oxfordshire District Council's responsibility for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

4. The council is responsible for ensuring that it conducts its business in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
5. The preparation and publication of the AGS is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations (2003) as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. This requires local authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control”.
6. The Audit and Corporate Governance Committee is responsible for matters of governance. It needs to satisfy itself that adequate arrangements are in place to ascertain the effectiveness of the council's governance arrangements. The committee is responsible for approving the AGS for inclusion in the Statement of Accounts.
7. There is no statutory timetable for approval of an AGS but it must be published with the financial statements. The suggested timescale for the 2007/08 AGS is as follows.
 - March 2008: consideration of the framework for the AGS by Audit and Corporate Governance Committee
 - March to May 2008: draft statement drawn up with reference to senior managers and management team
 - June 2008: approval of draft statement by Audit and Corporate Governance Committee

ANNUAL GOVERNANCE STATEMENT: SOURCES OF ASSURANCE

8. Whilst we describe the statement as an annual statement, it is actually a culmination of work within the council over the past 12 months. Production of the AGS is therefore not a one-off event, it is an ongoing process and includes the work of this committee, scrutiny committees, the Standards Committee, senior managers, internal audit, those managing risk, the chief finance (section 151) officer and the monitoring officer.

The process of gaining assurance

9. The chart below shows how the committee can gain assurances to enable it to approve the AGS. It shows the risk manager, internal audit, the monitoring officer and chief finance officer providing assurances to management team which co-ordinates the receipt of reports on internal control and governance to enable preparation of the AGS for approval. In addition, management team receives reports on the governance framework. The external sources of assurance providing reports to management team include the Audit Commission's reports and Comprehensive Performance Assessment (CPA).

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Annual governance statement: framework for assurances

Officers as sources of assurance

10. The table above mentions officers who will provide assurances. More specifically, the following sets out the responsibilities of those of officers and the assurances they can provide.
11. The **Head of Paid Service**, who is the chief executive, is the council's principal advisor and is responsible for the overall discharge of the council's functions.
12. The **Chief Finance Officer (S151 Officer)** has responsibility for the proper administration of the council's financial affairs which include:
 - (a) **Ensuring lawfulness and financial prudence of decision making.** He or she will report to full council if he/she considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency, or if the council is about to enter an item of account unlawfully.
 - (b) **Administration of financial affairs** of the council, in accordance with the provisions of Section 151 of the Local Government Act 1972.
 - (c) **Contributing to corporate management** of the council, in particular through the provision of professional financial advice.
 - (d) **Providing advice** on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and will support and advise councillors and officers in their respective roles.
 - (e) **Giving financial information** to the media, members of the public and the community.
13. The functions of the **monitoring officer** include:
 - (a) **Maintaining the Constitution.** The monitoring officer will maintain an up-to-date version of the Constitution and will ensure that it is widely available for consultation by councillors, staff and the public.
 - (b) **Ensuring lawfulness and fairness of decision making.** The monitoring officer will report to the full Council or to the Cabinet in relation to a Cabinet function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to

maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

(c) **Supporting the Standards Committee.** The monitoring officer contributes to the promotion and maintenance of high standards of conduct through the provision of support to the Standards Committee.

(d) **Receiving reports.** The monitoring officer will receive and act on reports made by ethical standards officers and decisions of the case tribunals.

(e) **Conducting investigations.** The monitoring officer will conduct investigations into matters referred by ethical standards officers and make reports or recommendations in respect of them to the Standards Committee.

(f) **Proper officer for access to information.** The monitoring officer will ensure that Cabinet decisions, together with the reasons for those decisions and relevant officer reports and background papers are made publicly available as soon as possible.

(g) **Advising whether executive decisions are within the budget and policy framework.** The monitoring officer will advise whether decisions of the Cabinet are in accordance with the policy framework.

(h) **Providing advice.** The monitoring officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors.

14. The **internal audit manager.** The internal audit manager contributes to the AGS by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment of the council. The Internal Audit function has responsibility to review, appraise and report upon:

(a) the soundness, adequacy and application of financial and other management-related controls;

(b) the extent of adherence to, the relevance and the financial effect of management's policies and directives and compliance with other relevant procedures, legislation and regulations;

(c) the extent to which the Council's assets and interests are accounted for and safe-guarded from losses, which include fraud and other offences, waste, extravagance and inefficient administration, poor value for money and other causes;

(d) the economical, efficient and effective use of resources; and

(e) the suitability, integrity and reliability of financial and other related management data developed within the Council.

Risk management roles

15. The overall responsibility for effective governance and risk management in the council lies with the chief executive supported by the management team. Individual directors are responsible for developing relevant action plans for the key risks and establishing relevant performance indicators to measure their performance through the performance management framework.
16. Councillors have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed through the annual strategic and service planning process. They will also be kept informed on the management of those risks through the regular performance management framework.
17. Among their roles all heads of service are responsible for ensuring that risk assessments are undertaken in their service areas, and that risks identified are prioritised and entered onto the risk register.
18. The risk management group will share best practice and provide an arena for discussing and managing cross-service risks. Attendees of the group are known as risk champions and meet regularly to monitor progress across the council and communicate the major risks to the management team via the lead risk champion.
19. All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks.
20. All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.

Financial Implications

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

Legal Implications

22. 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

23. The Audit and Corporate Governance Committee is responsible for approving the AGS for inclusion in the Statement of Accounts. To approve the AGS the Committee needs to have assurances that the council's governance arrangements are adequate. This report has outlined the mechanism of reporting from which the committee can gain its assurances. The report has also detailed the statutory officers and their roles in providing assurances. The committee should note the sources of assurance to enable it to consider the framework for the AGS which is included as a separate item on this agenda.

Background papers:

- None