

Annual Governance Statement – 2011/12 Financial Year

1. Oxford City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It 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.
2. In discharging this overall responsibility, Oxford City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. This statement explains how Oxford City Council meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

4. The governance framework comprises the systems and processes and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Oxford City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Oxford City Council for the year ended 31st March 2012 and up to the date of the approval of the accounts.

The Governance Framework

7. The Corporate Plan 2012-2016 reaffirms the City Council's ambitions to make Oxford a world-class city for everyone. This ambition was developed with partners across the city, including business, community organisations, the health and education sectors and the County Council. It

also sets out the Council's plans for transforming the way that the Council performs. The aspiration is to be a world-class council, delivering high quality services and providing excellent value for money. This Corporate Plan sets out the changed policy and financial contexts in which the Council is working and the City Council's response to this changed environment. This Corporate Plan was adopted by Council in February 2012. Prior to that the 11-15 plan was in place.

8. The City Council's priorities for the next four years are:

- A vibrant and sustainable economy
- Meeting housing needs
- Strong, active communities
- A cleaner, greener city
- An efficient and effective council

Council has also adopted and published targets for the Corporate Plan measures.

9. The Council has now embedded its use of Corvu as a tool for the recording, reporting and analysis of performance and risk. The Council has also undertaken preparatory work to use Corvu for financial reporting and this will be rolled out during the 12/13 financial year.

10. A number of Programme Boards were in place throughout 11/12 and provided effective oversight of the large number of projects underway. The Council continued to use a Prince 2 approach to programme and project management.

11. In the last year the Council:

- Entered into a joint venture with Grosvenor Estates to build up to 1000 new homes in Barton, and contracted with Green Square to build 100 new homes and two new community centres in Northway and Cowley
- Completed the refurbishment of over 50 play areas as part of a £2.5m investment in improving all the city's play facilities
- Progressed plans to build a new, competition standard pool in Blackbird Leys
- Opened the Old Fire Station as a combined Crisis Skylight and Arts Centre in cultural and arts activities alongside training and support for employment in the creative and hospitality industries
- Reduced the city centre office and carbon footprint by transforming St Aldate's Chambers into a modern, flexible working space which can accommodate most of the Council's

staff and selling our Blue Boar Street offices; the Ramsay House office space is also on the market

- Improved the quality of our website to offer most of our services – including payments – on-line
- Created a corporate call centre service with one number for all Council services
- Opened a new, state-of-the-art customer services centre in St Aldate's Chambers where customers can receive answers to queries about all Council services
- Invested further in information technology through our customer relationship management and performance management systems. Investment is critical in developing more efficient and timely service delivery.
- Achieved Investors in People accreditation for the whole Council in May 2011
- Achieved accreditation in the Equalities Framework for Local Government
- Improved employee attendance and reduced sickness absence by 25%

12. Clear schemes for delegation for Council, the City Executive Board and officers are set out in the Council's constitution. The role, purpose and terms of reference for scrutiny Committees and Audit and Governance Committee are also set out in the constitution as are protocols for effective communication and access to and use of information.

13. The Council has adopted Codes of Conduct for members and officers and local member protocols in relation to Member/Officer relations, planning and the use of IT. The Monitoring Officer and the Standards Committee provide regular training opportunities in relation to ethical conduct and the Standards Committee reports annually on its work to full Council.

14. Council and the Executive consider annually, review and confirm their schemes of delegation and the terms of reference of their committees. All reports to decision making bodies are approved in accordance with the requirements of a report clearance protocol so as to ensure that legal, financial and other risks are properly identified. There are comprehensive contract, financial and employment rules in the constitution. Each report to the City Executive Board is accompanied by a risk register and an initial equality impact assessment.

15. The Council has established an Audit and Governance Committee with terms of reference that comply with CIPFA's guide. The Committee

receives regular internal and external audit reports, is effective and is contributing to improving the internal control environment of the Council. The members of the Committee have received special training in order to promote their independent questioning skills.

16. The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. The Medium Term Financial Plan and budget setting is underpinned by the constitution, prioritisation and savings action plans which are regularly reviewed and updated by the Executive.
17. The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2011/12 financial year. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
18. The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Standards Committee. The Council also operates a corporate complaints system. The Council has sought to integrate the corporate complaints process with its CRM system so as to ensure the consistent capturing and reporting of complaints across the Authority. The Standards Committee kept under review the operation of that system and publicly received any Ombudsman reports in relation to maladministration. There were no formal reports issued by the Local Government Ombudsman against the Council in this year. The Audit and Governance Committee receive quarterly reports on all allegations of fraud or corruption.
19. The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city. The Authority has adopted and published a consultation framework.

Review of Effectiveness

20. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
21. In preparing this statement each service area has completed and each Head of Service has signed an assurance checklist. The checklist covers the following areas:-

Risk Management

Business Performance
Projects and project management
Financial management
Fraud
Procurement and contract management
Human resources
Equality and Diversity
Data quality and security
Health and safety
External accreditations
Review and documentation of business critical processes

22. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each service gave a positive assurance.
23. A key area for improvement last year was the documentation of key processes and procedures. A sample check by Internal Audit in 10/11 revealed several as missing or not up to date. In response Internal Audit were requested, in 11/12, to revisit that piece of work and validate that all of those procedure notes were, at the time of that review, in place and up to date. A positive assurance was received. In addition, the Council have undertaken a project to centralise the holding of "standard Operating Procedures". The project has established a central repository which will enable documents to be retrieved easily and perhaps more importantly will facilitate regular reviews of documentation through each document having a review by date, named owner and reminder prompts prior to the review date.

Significant Governance Issues

24. The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it concluded that controls are operationally sound.
25. Areas where weaknesses have been identified by the Council's internal auditors are listed below, together with a brief summary of the action being taken to make the necessary improvements.

The remediation of these issues will be tracked through the regular reporting of the Audit Recommendation Tracker to the Audit Committee.

Area of Concern	Action Planned															
<p><u>Collection Fund</u></p> <p>The Council has large debt balances over 1 year old for both Council Tax and Business Rates. Efforts should be made to review this debt to ensure it is recoverable and the need for write offs should be considered. At the time of audit, the aged debt position of the Collection Fund was as follows:</p> <table border="1" data-bbox="161 707 786 1043"> <thead> <tr> <th>Levy</th> <th>Total Debt (£m)</th> <th>Debt over 1 year old (£m)</th> <th>% of debt over 1 year old</th> <th>Movement since prior year</th> </tr> </thead> <tbody> <tr> <td>Council Tax</td> <td>4.5</td> <td>3.2</td> <td>71%</td> <td>-0.1million</td> </tr> <tr> <td>NNDR</td> <td>3.6</td> <td>1.8</td> <td>50%</td> <td>+0.5million</td> </tr> </tbody> </table> <p>It should be noted that of the total debt, £0.5million of Council Tax and £0.1million of NNDR debt are currently under charging orders/instalments and therefore will be recovered.</p>	Levy	Total Debt (£m)	Debt over 1 year old (£m)	% of debt over 1 year old	Movement since prior year	Council Tax	4.5	3.2	71%	-0.1million	NNDR	3.6	1.8	50%	+0.5million	<p>The Revenues Manager will liaise with the Head of Finance to agree the most appropriate approach to managing existing debt. Arrangements will be implemented to improve the position by 31st July 2012.</p> <p>The Head of Finance will review and refresh the Council's Corporate Debt Management Policy by 30th Sept 2012 to ensure it is fit for purpose.</p>
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<p><u>Commercial Property</u></p> <p>80% of commercial property invoices for new and amended properties that Internal Audit tested were raised late, increasing recovery risk.</p> <p>The reconciliation of assets on Uniform, the property system, to the Fixed Asset Register had lapsed because of a change in staff.</p>	<p>A new procedure note has been put in place detailing when and how change forms should be issued and bills raised</p> <p>A new capital accountant has now been appointed and going forward the fixed asset register and Uniform will be reconciled on a quarterly basis. This process will be in place for the first quarter of 2012/13. The year end accounts will include a reconciliation for 2011/12.</p>															
<p><u>IT Patching</u></p> <p>IT support services (including patching support) have been outsourced to</p>	<p>The SLA with the County does not currently cover this issue. The Head of Service will</p>															

<p>Oxfordshire County Council. The County Internal Auditors have reviewed the patching of the operating system, including key risk areas such as governance and change management thoroughly, but patching of key applications and databases has not been covered to the same extent. The City Council does not currently receive findings from County internal audit reviews to ensure City Council risks are appropriately mitigated.</p>	<p>arrange for this to be corrected under change control of the SLA. New reporting of issues that affect the City will be included in the quarterly ICT Governance meeting with the County.</p>
<p><u>Payments and Income</u></p> <p>Despite the centralisation of the creditors and debtors department, there continues to be differences in the procedures for both areas across different departments. The use of CAATs by Internal Audit to perform work on expenditure transactions identified a number of potential duplicates that may have arisen across the Fleetplan, Agresso and Sevitor systems. In the areas of income, there continues to be separate processes for raising sundry income in addition to trade waste, car parking and commercial property. This has led to instances of income being raised late in these areas.</p>	<p>The information from the CAAT's audit has been checked and whilst most payments were found to be bona fide. There were however a small number of duplicate payments which the payments team were aware of and had already recovered.</p> <p>On the processing of debts, guidance notes have been sent out to improve processes generally and training is routinely offered to staff involved in the process. The team have a target of turning around debtor invoices within 5 days of receipt although last year, specifically relating to commercial property invoices as the internal audit highlighted this was not being achieved. The introduction of a procedure note as discussed in the commercial property section above should improve matters in this area</p>
<p><u>Contract Management</u></p> <p>Internal Audit's review of a number of the Council's contracts identified that more work is required to ensure that contracts are robustly set up, managed and monitored. They noted that improvements could be made in these respects for the Council's ICT, Building Maintenance, Ground works and Leisure contracts.</p>	<p>A Contract Management Framework is being finalised to provide guidance to managers on the processes and practices they need to put in place to effectively manage a contract throughout its life. An implementation plan and training for key contract managers will be put in place during the second quarter of 2012/13</p>

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