

**To: Audit & Governance Committee**

**Date: 26<sup>th</sup> June 2014**

**Item No:**

**Report of: Head of Law and Governance**

**Title of Report: 2013/14 Annual Governance Statement**

## **Summary and Recommendations**

**Purpose of report:** To present the 2013/14 Annual Governance Statement for approval

**Report Approved by:**

**Finance:** Nigel Kennedy

**Legal:** Jeremy Thomas

**Policy Framework:** None

**Recommendation(s):** That the 2013/14 Annual Governance Statement be approved

## **Appendix 1 – Annual Governance statement**

### **Introduction**

1. The Authority is required by the Accounts and Audit Regulations 2011 to review, annually, its internal controls environment and produce an Annual Governance Statement ("the Statement"). The Committee is required to consider and, if satisfied, approve the Statement. The Statement forms part of the Council's statement of accounts and is attached to the report as an Appendix.

### **Financial implications**

2. There are no financial implications directly affected by the approval of the Annual Governance Statement. Mitigation for the two areas of concern identified in the statement ( management of capital projects and

business continuity planning) will ensure the robustness of the Council's financial position for the immediate future in terms of improvements in capital monitoring and the continuance of critical service delivery in the event of system or process breakdown.

### **Legal implications**

3. The Annual Governance 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.

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**Background papers:** Assurance Checklists for each Service.

**Annual Governance Statement – 2013/14 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 31<sup>st</sup> March 2014 and up to the date of the approval of the accounts.

**The Governance Framework**

7. The Corporate Plan 2014-2018 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 2013 alongside budget setting. Prior to that the 13-17 plan was in place.

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

- 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 embedded its use of CorVu as a tool for the recording, reporting and analysis of performance and risk. The Council continues to use CorVu for financial reporting and for integrated financial, performance and risk reporting to the City Executive Board on a quarterly basis.

10. A number of Programme Boards were in place throughout 13/14 and provided effective oversight of the large number of projects on-going. The terms of reference and progress of each Board are reviewed on a quarterly basis by the Chief Executive and Executive Directors. The Council continued to use a Prince 2 approach to programme and project management.

11. In the last year the Council:

- achieved external accreditations in respect of the processes and procedures adopted within a number of its services, including: "Customer Service Excellence" for the work of its Customer Contact Centre; City Regeneration (Regeneration & Major Projects and Property Services in Housing & Property Services) retained the ISO9001:2008 status; and the Council's legal section within the Law & Governance Service retained its LEXCEL accreditation
- introduced a new creditor payment system, Purchase to Pay (P2P), including appropriate training of staff
- implemented a new income management system, PARIS
- introduced a Community Infrastructure Levy
- completed the Voluntary Registration of Title of all of the Council's land assets

- agreed the Economic Growth Strategy (EGS), as part of the Oxford Strategic Partnership (OSP). The EGS seeks to establish a shared narrative on the future direction of the Oxford economy; define clear strategic priorities, objectives and actions for delivering and managing economic growth in Oxford over the next ten years
  - extended the Oxfordshire Procurement Hub to provide better leverage in respect of the Council's third party spend and also to make it easier for local businesses to work with the authority.
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 a Code of Conduct for Officers and local member protocols in relation to Member/Officer relations, planning and the use of IT. The Council adopted a new Code of Conduct for Members (in cooperation with all of the Oxfordshire Authorities) and local complaint handling arrangements in response to legislative changes introduced to the ethical standards regime within local government. The Council has retained a Standards Committee and appointed Independent Persons to advise the Monitoring Officer and Standards Committee in relation to complaints of breaches of the Code of Conduct for Members. The Monitoring Officer provided training opportunities in relation to ethical conduct, planning and licensing for all members.
  14. Council and the Executive review annually their schemes of delegation and the terms of reference of their committees (if any). 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 and articulated. 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 equality impact assessment (where appropriate).
  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 2013/14 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 Monitoring Officer. 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 customer feedback. The City Executive Board now receives regular reports on customer feedback. 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.
20. The Council undertook a review of its governance arrangements in 2012/13 in light of the additional models of governance permitted by the Localism Act 2011. The Council resolved to retain the Leader and Cabinet model but made a number of other changes to its governance arrangements including the cessation of single Member decision making, changes to scrutiny arrangements, changes to Council procedures and the introduction of monthly all Member briefings.

### **Review of Effectiveness**

21. 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.
22. 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 and Development
- Programme 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

23. 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.
24. The checklists highlighted a concern regarding the security of the Council's buildings and its data since the Council has a requirement to comply with a new set of security standards (known as PSN) to enable the Council to communicate electronically and access information from central government departments. Measures are being taken to make improvements to the security of buildings and also to increase officer awareness of data security issues.

### **Significant Governance Issues**

25. 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. The annual report from the Council's internal Auditors, which was reported to the Audit and Governance Committee in April 2014, identified one high risk issue relating to business continuity management which is detailed below. I have also outlined below a further issue of concern that should be considered as part of this Statement relating to the management of capital projects.

Area of Concern	Action Planned
The Internal Audit Report into Business Continuity Planning identified that service area business continuity plans were not kept up to date and an inconsistent format was being used. In addition, the report highlighted that the failure to identify all dependencies of service area critical activities could result in unforeseen problems. Business continuity, specifically the failure to ensure emergency planning and business continuity procedures are in	Service Heads were given an example of a good pro-forma template and were asked to update their respective plans to take account of the audit findings and recommendations. Critical activities were discussed and agreed at a meeting of the Council's Corporate Management Team in January 2014. Updated plans have been received for all 12 Service Areas. Arrangements for the plans to be tested have been discussed with the County Council's Emergency Planning Unit

place, tested and robust, is listed on the Council's Corporate Risk Register.	and will be progressed at the appropriate time. In addition, an external review of the plans will be commissioned.
Management of capital projects	The Council has an ambitious Capital Projects programme, which is overseen by the Capital Assets and Management Board which has reviewed and reported progress, performance and risk. Many of the projects are complex and demand development and construction expertise. A new project gateway process has been introduced to improve project delivery, together with a complete review of the performance and roles of the client/sponsor, users, project management and financial controls to improve capacity and capability. The process is now being embedded and further training is being undertaken across the Council's services.