

To: Audit and Governance Committee

Date: 30th June 2011

Item No:

Report of: Head of Law and Governance

Title of Report: 2010/11 Annual Governance Statement

Summary and Recommendations

Purpose of report: To present the 2010/11 Annual Governance Statement for approval

Report Approved by: Councillor Bob Price

Finance: Jacqueline Yates

Legal: Jeremy Thomas

Policy Framework: None.

Recommendation(s): That the 2010/11 Annual Governance Statement be approved.

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.

Recommendation

2. That the 2010/11 Annual Governance Statement be approved.

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Background papers: Service Assurance Checklists

Annual Governance Statement – 2010/11 financial year

Scope of Responsibility

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 2011 and up to the date of the approval of the accounts.

The Governance Framework

7. The Corporate Plan 2011-15 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.

8. The City Council's priorities for the next four years are:
 - A vibrant and sustainable economy
 - Meeting housing need
 - Strong and active communities
 - Cleaner greener Oxford
 - An efficient and effective council.

The plan has significantly reduced the number of measures attached to each of the priorities and has been extensively publicised.

9. In the last 12 months the Council has undertaken a review of how it has been managing performance in the light of the change in direction by central government. The Council is developing a more holistic and practical approach to performance, focusing on how we embed continuous improvement across all sections of the Council. The Council has set up a corporate system for recording and reporting performance, risk and projects. This system has streamlined reporting, provided visibility and enabled the Council to manage our approach to improving our services in a cohesive manner.

10. Our Prince 2 light approach to programme and project management is now embedded across the Council. Themed programme and project boards have been operating successfully and within the adopted project management methodology. This year has seen the fruit of some of the programmes with a major refurbishment of one of our Council offices underway (and a surplus building sold) and the CRM (Customer Relationship Management) system and mobile working 'rolled out' across several service areas. The projects being managed by the various boards are resulting in the Council delivering savings and working more efficiently.

11. The Council completed a major review of the refuse and recycling service, exposing the whole service to competition. This major review resulted in the in house team also reviewing the way the service operates, the method of recycling and as a result this review has saved the Council over £1 million a year.
12. This year the Council has aligned its BPI work to the corporate programmes and has focused on reviewing and streamlining processes in the Customer First Programme so that the customer facing processes can be handled by any operator. These processes have been documented within the CRM workflow.
13. The Council achieved 82% of its performance targets. This was a significant improvement from the 69% achieved by the Council in 2009/10 and reflects the Council's move from performance monitoring to performance improvement. 62% of the performance indicators exceeded their target.
14. During 2010/11 the CRM software application was consolidated to improve the way the product operates in the contact centres. In addition, the software was expanded to record comments, complaints and compliments for the whole organisation. This means members of staff in every service are inputting comments, complaints and compliments into CRM directly using the 'virtual office' part of the system.
15. Preparatory work has been undertaken for the move to a single contact centre and face-to-face customer service centre in 2011/12, with Environmental Development, Planning and Housing and Community Services planning to go 'live' on the CRM system at that time.
16. The Council continued to make significant investment in the learning & development of its employees. A £0.5m budget was available across the organisation, with half of that sum delegated to service areas to meet their individual service requirements. At a corporate level, 2010/11 saw the conclusion of the Council's management development programme. The Council's recent success in achieving Investor in People accreditation (although falling outside of the period covered by this statement) reflects the progress the Council has made in people management including an emphasis on learning & development and the carrying out of proper employee appraisals. The Management Practice Group continued to meet throughout the year, enabling managers across the Council to discuss and share best practice. In addition, the corporate management team presented a number of 'corporate briefings' to all employees to ensure that key messages were communicated effectively.

17. Clear schemes of 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.
18. 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.
19. 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.
20. 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.
21. The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. Financial planning and budget setting is underpinned by constitution, prioritisation, savings action plans and a medium term financial strategy which is regularly reviewed and updated by the Executive.
22. The Monitoring Officer and Chief Finance Officer have not had cause to issue reports in exercise of their statutory powers in the 2010/11 financial year..
23. 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 keeps under review the operation of that system and publicly receives 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.

24. 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

25. 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.

26. 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 Planning
- Projects and project management
- Financial management
- Fraud
- Procurement
- Human resources
- Equality and Diversity
- Data quality and security
- Health and safety
- External accreditations
- Review of controls

27. 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.
28. The Council's internal auditors were invited to review the existence and content of procedure notes for the Councils key systems as at 31st March 2011. Those systems sampled for testing (18 in total), were selected on a risk basis in conjunction with the Monitoring Officer and Head of Finance. The results of this sample testing showed that 13 out

of the 18 systems were fully documented with procedure notes in place. For 7 of those systems the procedure notes had been reviewed in the past year, but for 6 of the systems the procedure notes had not been reviewed (or there was no evidence of the last review date). No information was provided for 5 of the systems.

29. The assurance checklists returned from Service Areas revealed that a number of written procedures had been produced in the last 12 months in respect of key functions and processes, including payment of creditors, the raising of debtors, bank reconciliations and final accounts closedown.
30. The annual report from the Council's internal auditors, PWC, is to be considered at the same meeting of the Audit and Governance Committee as this governance statement and that annual report will contain an independent professional view of the adequacy of the Council's internal controls, which should be read in conjunction with this statement.

Significant Governance Issues

31. 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.
32. The areas where weaknesses have been identified are listed below, together with a brief summary of the action being taken to make the necessary improvements.

Area of Concern	Action Planned
ICT governance – there were acknowledged weaknesses in terms of agreed procedures as between the City Council's ICT service and other services.	As of the 1 st April 2011 the corporate services modernisation programme brought together ICT application management and support within the City Council and aligned it with the client side function for infrastructure support, under a new Head of ICT. This will improve resilience, and governance arrangements going forward and facilitate more effective communications through the deployment of a business partner model.

<p>Key processes are not documented in a common fashion in a central electronic procedure library</p>	<p>The City Council does have a lot of processes documented, however this information is held by teams and not centrally available. The Business Improvement Team commenced a project in June 2011 to collate a full list of all the key Council processes and the any procedure documentation held. A gap analysis will then be carried out, leading to a corporate project to ensure that all key processes are documented, kept up to date, with a process owner and held centrally. Existing processes will be reviewed using the Council's corporate approach to BPI and better use of our applications exploited where possible. This project will be completed by the end of the year.</p>
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