

AUDIT COMMITTEE – 17 NOVEMBER 2010

REVISED CORPORATE GOVERNANCE ASSURANCE FRAMEWORK

Report by County Solicitor

Introduction

1. The existing governance framework has been in place for several years and has served the Council well. However recent changes coming from Central Government, including the abolition of the Audit Commission, the abolition of Comprehensive Area Assessment (CAA), the abolition of the Use of Resources assessment (UoR), together with the fundamental changes now happening across Oxfordshire County Council as part of the business strategy, mean that we need to review the corporate governance assurance framework.

Rationale for Revising the Framework

2. Current internal procedures, in particular the Internal Control Checklist (ICC), are structured to help provide evidence for the old inspection regime including the CAA and UoR which have already been ended. This is a good time to make changes to internal processes.
3. The current process for completion of the Internal Control Checklists to document and assess the controls in place has worked well but depends upon a significant amount of work by business managers, other senior managers and Directorate Leadership Teams every six months.
4. In light of the business strategy and the current Service reorganisation and redesign that Services are currently undertaking, the Corporate Governance Assurance Group decided to suspend the six-monthly ICC checklist for 2010 pending a decision on a review of the Corporate Governance Framework. The collation of information is a significant administrative burden on the Directorates and was felt to be inappropriate if there were to be significant changes in the way that this work is undertaken.
5. It is essential for the Council to receive assurance on key internal controls but there is an opportunity to reconsider how that assurance is provided.

Revised Framework

6. The proposed revised corporate governance assurance framework is attached as Annex 1.

7. The main change is to replace the current ICC process with an alternative process whereby the corporate lead officer for each key governance process provides a statement at the year end which explains what systems they have in place to ensure internal control, and their assessment of the current position across the whole council, identifying areas for improvement where appropriate. Internal Audit will provide an independent assessment of compliance with corporate processes for each directorate. Directors will still be required to sign off certificates at year end confirming that controls are in place and/or that actions are being taken to address any weaknesses identified through this process.
8. These changes place the key responsibility of evaluating the effectiveness of the control environment upon those charged with that corporate responsibility. It clarifies and strengthens the responsibilities of the directorates to address any identified weaknesses.

RECOMMENDATION

9. **The Audit Committee is RECOMMENDED to approve the revised Corporate Governance Assurance Framework.**

PETER CLARK
County Solicitor

Background papers: Nil

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November 2010

THE CORPORATE GOVERNANCE ASSURANCE FRAMEWORK

INTRODUCTION

1. Corporate Governance

- 1.1. The Audit Commission have defined corporate governance as “the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives”.
- 1.2. They have further identified good corporate governance as including robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public.
- 1.3. In 2001 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), jointly with the Local Government Association and the Audit Commission set up a Corporate Governance Working Party to draw together the principles identified by Cadbury, Nolan and others into a single framework of corporate governance for use by Local Authorities. The revised framework published by CIPFA/SOLACE in June 2007 builds on governance work in both the public and private sector, in particular the “Good Governance Standard for Public Services” drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management in partnership with the Joseph Rowntree Foundation. In England the preparation and publication of an annual governance statement in accordance with this Framework is now recommended to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006.
- 1.4. The framework adopts six core principles from the Good Governance Standard for Public Services 2004 (developed by the Independent Commission on Good Governance in Public Services).
 - 1.4.1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - 1.4.2. Members and officers working together to achieve a common purpose within clearly defined functions and roles
 - 1.4.3. Developing the capacity and capability of members and officers to be effective
 - 1.4.4. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 1.4.5 Taking informed transparent decisions which are subject to effective scrutiny and managing risk
- 1.4.6. Engaging with local people and other stakeholders to ensure robust public accountability
- 1.5 These six core principles are further expanded in supplementary principles.

2. Code of Corporate Governance

- 2.1. To achieve good governance, the Council should be able to demonstrate that its code of governance reflects the requirements for best practise outlined in the Framework.
- 2.2. The Code is reviewed annually by the Growth and Infrastructure Committee (prior to 2010 by the Corporate Governance Scrutiny Committee.)

FRAMEWORK AND SOURCES OF ASSURANCE

3. Annual Governance Statement

- 3.1. The preparation and publication of an annual governance statement is recommended as proper practice 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 that the Council conducts a review at least once a year on the effectiveness of its systems of internal control and produces a statement on its effectiveness “in accordance with proper practices”. With effect from 2007/08, the supplement to “delivering good governance framework” defines proper practice and defines the form and content of a governance statement that meets the requirement to prepare a statement on internal control. There is no requirement to publish a separate statement on internal control. The scope of internal control spans the whole range of the Council’s activities and includes controls designed to ensure:
 - 3.1.1. The establishment and monitoring of the Authority’s objectives
 - 3.1.2. The facilitation of policy and decision making
 - 3.1.3. Ensuring compliance with established policies, procedures, laws and regulations
 - 3.1.4. Ensuring that risk management is embedded
 - 3.1.5. Ensuring the economic, effective and efficient use of resources
 - 3.1.6. Financial management and reporting of financial management
 - 3.1.7. Performance management and the reporting of performance management

- 3.2. In November 2010 the Audit Committee approved a change to the assurance process in order to reduce the administrative burden on Directorates whilst retaining a robust assurance process. The revised assurance process includes a statement at the year end from the “corporate lead officer”, for each of the key control areas listed below, which explains what systems they have in place to ensure internal control, and their assessment of the current position across the whole council, identifying areas for improvement where appropriate. The relevant corporate lead officer is shown in brackets after each control area.
 - 3.2.1. Risk management (Corporate Performance and Review Manager in consultation with the risk leads group)
 - 3.2.1.1. Business Continuity (County Business Continuity Officer in consultation with the business continuity stakeholder group)
 - 3.2.2. Performance Management (Corporate Performance and Review Manager in consultation with directorate performance leads)
 - 3.2.3. Financial Management (Chief Finance Officer in consultation with delegated Section 151 officers)
 - 3.2.4. Legislation (Monitoring Officer in consultation with the monitoring officers group)
 - 3.2.5. Human Resources (Head of Human Resources in consultation with HR business partners)
 - 3.2.5.1. Health & Safety (County Health, Safety & Wellbeing Manager in consultation with directorate Health & Safety champions)
 - 3.2.6. Procurement/Contracts (Assistant Head of Finance (Procurement) in consultation with directorate leads)
 - 3.2.7. Technology (Data Controller (Deputy Head of ICT Services) in consultation with ICT liaison managers)
 - 3.2.7.1. Data Protection (Deputy Head of Legal & Democratic Services in consultation with the Information Governance Group).
 - 3.2.8. Programme and Project Management (Corporate Performance and Review Manager in consultation with the directorate project leads)
 - 3.2.9. Partnerships (Head of Partnership Working)
- 3.3. Corporate Governance Assurance Group will monitor the appropriateness of these mechanisms.

- 3.4. Internal Audit will provide an independent assessment of compliance with corporate processes for each Directorate.
- 3.5. Directors are required to review risk registers, corporate lead officers' assessments and Internal Audit's assessments, and to sign Certificates of Assurance annually to confirm that they have discussed the information contained in those documents, and to confirm that action is being taken to address any weaknesses identified.
- 3.6. Risk Registers, corporate lead officers' assessments on key control areas and Internal Audit's assessments are reviewed by the Corporate Governance Assurance Group, a group of Senior Officers, Chaired by the Monitoring Officer. Where the same weakness has been identified across a number of directorates, specific consideration will be given to treating this as a corporate issue. Where specific action may need to be taken to address the weakness, it will be contained in the action plan contained within the Annual Governance Statement. On preparation, the Annual Governance Statement together with progress on the identified action plan within the Statement is reported quarterly to the Audit Working Group. The Annual Governance Statement is compiled by members of the Corporate Governance Assurance Group drawing on the following information:
 - 3.6.1. Risk Registers compiled by Heads of Service and endorsed by Directors
 - 3.6.2. Statements provided by corporate lead officers for key control areas as described in paragraph 3.2 above
 - 3.6.3. The view of Internal Audit
 - 3.6.4. The view of the External Auditor as contained within the Annual Audit letter and other Audit Reports
 - 3.6.5. The reports from external assessors as required by FMSiS (Financial Management Standard in Schools)
 - 3.6.6. Reports by other independent inspection bodies
 - 3.6.7. The Audit Committee and Audit Working Group
 - 3.6.8. The report on the Role of the Chief Finance Officer in comparison to the CIPFA paper "The role of the Chief Financial Officer in public sector organisations"
- 3.7. In addition to the review of the system of internal control and its effectiveness the Corporate Governance Assurance Group also carries out a review of the governance framework as set out in the Council's Code of Corporate Governance and considers the effectiveness of the framework.
- 3.8. Annual Governance Statement is signed by the Chief Executive, Leader of the Council, Chief Finance Officer and Monitoring Officer.

4. External Audit

- 4.1. The Council's external auditors (currently the Audit Commission) undertake an annual audit of the financial statements and Annual Governance Statement in order to be satisfied that the accounts comply with statutory requirements, that proper practices have been observed in compiling the accounts and to express an opinion on the statement of accounts.

5. Approval of Corporate Governance Policies

- 5.1. The Cabinet on the 16 June 2004 authorised the Monitoring Officer, following consultation with the Section 151 Officer and Leader and Deputy Leader of the Council, to approve new or amended operational policies and procedures relating to Corporate Governance except where they would either:

5.1.1. have material budget implications;

5.1.2. have substantive policy implications; or

5.1.3. where material concerns about them have been expressed by the employee's representatives;

- 5.2. In which case they would be referred to Cabinet for decision.

DEFINITIONS OF OFFICERS, COMMITTEES AND GROUPS

6. Statutory Officers

6.1. Head of Paid Service

6.1.1. The Head of Paid Service has responsibility to the Council for the manner in which the Council's functions are discharged and coordinated. In addition she has the responsibility for the number and grade of Officers required for the discharge of the functions and the organisation of Officers.

6.2. Chief Finance Officer (S151 Officer)

6.2.1. The Chief Finance Officer has responsibility for the proper administration of the Council's financial affairs which include:

6.2.1.1. expenditures within the law

6.2.1.2. the accounts are prepared in accordance with the law

6.2.1.3. the compilation of the accounts has followed proper accounting practices

6.2.1.4. ensuring effective financial controls are in place

6.2.2 The role of the Chief Finance Officer for Public sector organisations is also described in the CIPFA document “The role of the Chief Financial Officer in Public Sector Organisations.

6.3. **Monitoring Officer**

6.3.1. The Monitoring Officer has the statutory responsibility for independently reporting to the Council on any proposal or decision by the Council or any of its Committees or Officers which has given rise to or may give rise to a breach of the law or potential maladministration. The Monitoring Officer also plays a leading role in developing, monitoring and maintaining a system of corporate governance for the Council and in particular:

6.3.1.1. ensures that satisfactory arrangements are in place for maintaining the registers for Members registration of interests and gifts and hospitality in accordance with the Members code of Conduct.

6.3.1.2. conducts an annual review of the effectiveness of the internal audit function in accordance with the requirements of the Accounts & Audit Regulations 2003 (as amended).

6.3.1.3. ensures relevant corporate governance policies are up to date, including:

6.3.1.3.1. Constitution

6.3.1.3.2. Anti-Fraud and Corruption Policy

6.3.1.3.3. Raising Concerns At Work, Grievances and whistleblowing

6.3.1.3.4. Money Laundering Policy

6.3.1.3.5. Officer Code of Conduct

6.3.1.3.6. Corporate Complaints Policy

6.3.1.3.7. Officer Register of Interests and Gifts and Hospitality

6.4. **Monitoring Officer Group**

6.4.1. This Group consists of key Officers involved in the provision of Committee Services for Members and reviews on a regular basis the business conducted by the Council, Cabinet, Committees and other Member Meetings. It supports the Monitoring Officer in his monitoring role, particularly in relation to the work of the Standards Committee, Members conduct, Standards Board complaints and to monitor the lawful decision making of the Council.

6.5. Assistant Head of Finance (Audit)

6.5.1. This person is the Senior Officer directly responsible for the Internal Audit function. Internal Audit Services is an assurance service that provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating the effectiveness in achieving the organisation's objectives. It provides an annual independent assurance to the Chief Finance Officer on the 9 key financial system controls as set out and contained in the Annual Internal Audit Plan. The Chief Internal Auditor also contributes to the Annual Governance Statement 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.

6.6. Corporate Governance Scrutiny Committee

6.6.1. The role of the Corporate Governance Scrutiny Committee is set out in section F of the Constitution. The key roles of the Corporate Governance Scrutiny Committee include holding the executive to account together with policy development and review. The responsibilities of the Committee include Corporate and Community leadership and corporate strategies.

6.7. Audit Committee

6.7.1. The focus of the Audit Committee is on overseeing financial processes, audit and risk management. The Audit Committee needs to satisfy itself that adequate arrangements are in place to ascertain the effectiveness of the Council's system of internal control. This includes the arrangements for reporting significant risks identified by Directorates.

6.7.2. The Audit Committee will receive reports on progress in achieving the actions set out in the previous year's Statement on Internal Control and on the current year position.

6.7.3. The Audit Committee is responsible for separately approving the Council's Statement on Internal Control for inclusion within the Statement of Accounts.

6.8. Audit Working Group

6.8.1. The Audit Working Group will receive updates on significant risks, progress with action plans and reports on the assurance process itself. It may call for further detailed information on any matter of concern, including interviewing individual officers where appropriate.

6.8.2. The Audit Working Group also carries out detailed work referred to it by the Audit Committee.

6.8.3. The Chairman of the Audit Working Group provides an independent assessment of the effectiveness of the assurance process, set out within the Annual Governance Statement.

6.9. Corporate Governance Working Group

6.9.1. This Group was originally created to assist the Monitoring Officer in raising awareness of the importance of corporate governance throughout the Authority. The principal focus of the Group is to review and update Corporate Governance Policies and to monitor implementation of these by the Council. It has responsibility for reviewing the Local Code of Corporate Governance and to hold Officer to account for compliance with the implementation of the Corporate Governance arrangements.

6.10. Corporate Governance Assurance Group

6.10.1. The Corporate Governance Assurance Group oversees the assurance framework including the process for assurance from corporate lead officers. The Group is made up of senior corporate officers, chaired by the Monitoring Officer, who are responsible for the determination and coordination of the Corporate Governance Framework and the process and the production of the Annual Governance Statement. The Group provides corporate challenge and advice to Directorates on Governance. Further details are given in Annex 1.

6.11. Standards Committee

6.11.1 The focus of the Standards Committee is to promote and maintain high standards of conduct by Councillors and Co-opted Members and to assist them in observing the Members' Code of Conduct by providing advice, guidance and training in relation to provisions of the Members' Code of Conduct. Good Corporate Governance requires members and senior officers to lead by example and demonstrate commitment to the key requirements of the assurance framework.

Responsible Officers:

Peter G Clark County Solicitor/Monitoring Officer
Sue Scane Assistant Chief Executive/Chief finance Officer

Date: November 2010

Review Date: November 2011

OVERVIEW of Corporate Governance Assurance Framework

