

REPORT TO AUDIT AND PERFORMANCE REVIEW PANEL

Title: **2008/09 ANNUAL GOVERNANCE STATEMENT AND ANNUAL REVIEW OF THE COUNCIL'S CORPORATE GOVERNANCE POLICY AND LOCAL CODE OF CONDUCT**

Date: 30 June 2009

Member Reporting: **Councillor D McBride**

Contact Officer(s): **Catherine Hickman, Head of Audit and Review
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Wards Affected: **All Wards**

1. SUMMARY

1.1 The purpose of this report is to present an Annual Governance Statement. In addition, the Panel is updated on the results of the annual review of the Council's Corporate Governance Policy and Local Code of Conduct.

1.2 The Headlines of the Statement are:-

- The Council has a sound Governance framework and assurance process is in place.
- The Corporate Strategy is being revised, updating RBWM's vision and values.
- Risk Management is becoming effectively embedded into RBWM's operations.
- Progress has been made in addressing the governance of Partnerships.
- Corporate Action has been identified with regard to staff appraisals, services benchmarking and managing Value for Money, Health and Safety issues and Business Continuity.

2. RECOMMENDATION

2.1 That the Panel recommend the Statement for signature by the Leader of the Council and the Chief Executive. In addition, the Panel is requested to note the outcomes of the annual review of the Council's Corporate Governance Policy and Local Code of Conduct.

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| What will be different for residents as a result of this decision? |
| Residents will have assurances that the Council has incorporated the principles of Corporate Governance into every dimension of its business to ensure that stakeholders, including residents, can have confidence in the decision-making and management processes of the Authority, and in the conduct and professionalism of its members, officers, partners and other agents in delivering services. |

3. SUPPORTING INFORMATION

BACKGROUND

- 3.1 Regulation 4 of the Accounts and Audit Regulations 2003 required the Royal Borough of Windsor and Maidenhead to conduct an annual review of the effectiveness of its system of internal control and publish a Statement of Internal Control (SIC) up until 2006/07.
- 3.2 From 1 April 2007, the SIC was replaced by the Annual Governance Statement (AGS). Guidance was issued by the CIPFA Finance Advisory Network in respect to the production of the AGS. In 2007 CIPFA/SOLACE updated previous guidance and issued the publication “Delivering Good Governance in Local Government”. The CIPFA/SOLACE Framework brought together a number of governance principles and requirements.
- 3.3 Members are aware of the six key principles of good governance as laid down in the Framework as set out in the table below.

| Core Principles of Good Governance | |
|---|---|
| 1. | Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area. |
| 2. | Members and officers working together to achieve a common purpose with clearly defined functions and roles. |
| 3. | Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour. |
| 4. | Taking informed and transparent decisions that are subject to effective scrutiny and managing risk. |
| 5. | Developing the capacity and capability of members to be effective and ensuring that officers – including statutory officers – also have the capability and capacity to deliver effectively. |
| 6. | Engaging with local people and other stakeholders to ensure robust local public accountability. |

- 3.4 The AGS is the formal statement (signed by the Leader of the Council and Chief Executive) that recognises, records and publishes the governance arrangements of the Council in line with that Framework. The AGS is much broader than the SIC, although the overall assurance process remains. The AGS must reflect the Council's governance framework.
- 3.5 The AGS should be an open and honest self-assessment of an authority's performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern. The AGS should include: -
- An acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control).
 - A description of the key elements of the systems and processes that comprise the governance arrangements.

- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements.
 - An outline of actions proposed to deal with significant governance issues.
- 3.6 The intention of the Council is that it will aspire to publish an unqualified AGS following completion of its annual review of Corporate Governance, through having in place sound governance arrangements.

The Governance Statement and the Assurance Gathering Process

- 3.7 A flowchart taken from the CIPFA Finance Advisory Network's (FAN) "Rough Guide to the Annual Governance Statement" has been tailored for the Council and sets out the assurance framework used for compiling the AGS. The flowchart is included within the Local Code of Corporate Governance (refer para 3.13 onwards).
- 3.8 The AGS has been prepared by the Head of Audit and Review. However, at the centre of the process for reviewing the Council's governance arrangements managers have, through their Directorate Management Teams, regularly undertaken a review of their governance arrangements during the year. In order to assist them, during 2008/09, Internal Audit developed a Corporate Governance Self Assessment matrix based on the requirements of the CIPFA/SOLACE *Delivering Good Governance in Local Government* Framework. The aim is to assess whether the Council's Corporate Governance procedures are both robust and effective and to identify any gaps. This has also fed into the Balanced Scorecard process with each service reporting a corporate governance index on a monthly basis to the Chief Executive. Each Strategic Director has been asked to sign off an Annual Assurance Statement for their directorate and Internal Audit have reviewed the content of a sample of self-assessments, prior to the preparation of the AGS, to confirm that they are supported with sufficient evidence to inform the overall 2008/09 AGS. The self-assessment and review work will be ongoing during 2009/10.
- 3.9 The AGS must be reviewed throughout the financial year and mechanisms are being enhanced further to ensure that this is undertaken robustly, hence providing an additional level of assurance. Quarterly update reports summarising the content of the self-assessments and any areas requiring attention are provided by the Head of Audit and Review to the Services Management Team (SMT).
- 3.10 In addition, Internal Audit work has undertaken themed reviews of specific governance subject areas within the self-assessment e.g. Partnerships and Procurement. Again, the findings of these reviews have supported the evidence content of the AGS.
- 3.11 The Head of Audit and Review will also provide an Annual Report on the work of Internal Audit and on the Annual Review of the Effectiveness of the Council's System of Internal Audit, to the Audit and Performance Review Panel, timed to support the AGS.

- 3.12 A draft copy of the proposed 2008/09 Annual Governance Statement for the Royal Borough of Windsor and Maidenhead is attached at Appendix A.

Corporate Governance Policy and Local Code of Conduct

- 3.13 In June 2008, the Panel approved the Council's Corporate Governance Policy and Local Code of Conduct. The policy of the Royal Borough of Windsor and Maidenhead is to incorporate the principles of Corporate Governance into every dimension of its business to ensure that stakeholders can have confidence in the decision-making and management processes of the Authority, and in the conduct and professionalism of its members, officers, partners and other agents in delivering services. The Local Code of Corporate Governance that sets out in more detail, the key elements of the Authority's arrangements for ensuring that its Policy objectives are met. The Code sets down a commitment to establish and maintain suitable systems and processes in delivering the Authority's business, utilising the six core governance principles. Best practice recommends that both these documents are reviewed annually and the 2008/09 review has made minor changes to the content to take account of the Council's restructure and new reporting groups and also to update the framework for preparing the Annual Governance Statement (Appendix C[i] in Local Code of Corporate Governance), following the introduction of the self assessment process that replaced the Corporate Governance and Use of Reproduces Working Group
- 3.14 The revised Corporate Governance Policy and Local Code of Corporate Governance are attached as Appendices B and C respectively.

What is the role of the Audit and Performance Review Panel in relation to the Annual Governance Statement and Code of Corporate Governance and Local Code of Corporate Governance?

- 3.15 One of the requirements of Principle 4 of the CIPFA/SOLACE Framework (2007) is that local authorities have an effective Audit Committee, which is independent of the Executive and Scrutiny functions. The Framework also requires authorities to review their governance arrangements at least annually and to report compliance with the Framework to the Audit Committee.
- 3.16 The Audit and Performance Review Panel is best placed to: -
- Consider the arrangements required for gathering assurances for the preparation of the AGS.
 - Consider the robustness of the Authority's governance arrangements.
 - Monitor any actions arising from the review of arrangements.
 - Receive the results of the annual review of the Corporate Governance Policy and Local Code of Corporate Governance
- 3.17 The Panel should be charged with reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given the opportunity to make recommendations and changes as it sees fit.

Conclusion

- 3.18 The AGS is a statutory public expression of what a local authority has done to put in place good business practice, high standards of conduct and sound governance. The AGS must be compiled in accordance with proper practice and the statutory guidance and the inspection process places as much emphasis on the assurance gathering process for compiling the AGS and supporting evidence as it does on the output from that process, the AGS itself. The Audit and Performance Review Panel has an important role to play in overseeing the production of the AGS, challenging it and recommending it for adoption to meet statutory guidance and best practice.

4. OPTIONS AVAILABLE AND RISK ASSESSMENT

4.1 Options

| | Option | Comments | Financial Implications |
|----|--|--|---|
| 1. | <p>Note and approve the assurance processes used for preparing the 2008/09 AGS.</p> <p>Note the Audit and Performance Review Panel's role in the AGS process.</p> <p>If the Panel agree that the content of the 2008/09 AGS is consistent with their view of the Council's system of corporate governance, recommend the Statement for signature by the Leader of the Council and the Chief Executive.</p> <p>Note the results of the annual review of the Corporate Governance Policy and Local Code of Corporate Governance.</p> | <p>Adoption of Option 1 will ensure that the principles of good Corporate Governance are incorporated into every dimension of the Council's business to ensure that stakeholders can have confidence in the decision-making and management processes of the Authority, and in the conduct and professionalism of its members, officers, partners and other agents in delivering services.</p> <p>In addition, it will ensure compliance with:</p> <ul style="list-style-type: none"> - the CIPFA / SOLACE framework "Delivering Good Governance in Local Government" - Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 | <p>Revenue – officer time</p> <p>Capital - none</p> |

| | Option | Comments | Financial Implications |
|----|---|---|---|
| | | <ul style="list-style-type: none"> - Chapter 7 of the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice. | |
| 2. | <p>Make additional suggestions regarding the assurance gathering process and content of the 2008/09 Annual Governance Statement and updates to the Corporate Governance Policy and Local Code of Corporate Governance.</p> | As above | <p>Revenue – officer time</p> <p>Capital - none</p> |
| 3. | <p>Not approve the process for preparing the 2008/09 Annual Governance Statement or its content.</p> <p>Not approve the proposed revisions to Corporate Governance Policy and Local Code of Corporate Governance following annual review.</p> | <p>Adoption of Option 3 may result in good governance not being operated throughout the Council, which may undermine stakeholders confidence in the decision-making and management processes of the Authority, and in the conduct and professionalism of its members, officers, partners and other agents in delivering services.</p> <p>Compliance with the following will not be demonstrated or achieved:</p> <ul style="list-style-type: none"> - CIPFA / SOLACE framework “Delivering Good Governance in Local Government” - Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 | <p>Revenue – officer time</p> <p>Capital - none</p> |

| | Option | Comments | Financial Implications |
|--|--------|---|------------------------|
| | | <ul style="list-style-type: none"> - Chapter 7 of the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice. | |

4.2 Risk Assessment

| Risk | Uncontrolled Risk | Controls | Controlled Risk |
|--|-------------------|--|-----------------|
| <p>1. Failure of Council to have a process in place to meet all core principles of good governance leads to poor performance, poor outcomes for service users / citizens and hence has a specific attributable negative impact on the Council Comprehensive Area Assessment (CAA) score.</p> | High | <ul style="list-style-type: none"> - Ensure that the AGS provides the management processes to update, review and react to amendments to Corporate Governance principles as laid out by legislative requirements. - Ensure that an independent Audit Committee (in the form of the Audit & Performance Review Panel) has the skills capable of both considering and challenging the robustness of the Council's governance arrangements. - Ensure that Senior Officers and Senior Members take ownership of AGS. | Low |

| Risk | Uncontrolled Risk | Controls | Controlled Risk |
|---|-------------------|--|-----------------|
| <p>2. Failure to consult appropriate Officers with correct levels of responsibility in the Assurance Gathering process.</p> | <p>High</p> | <ul style="list-style-type: none"> - Directorate Management teams to undertake regular self-assessments of their directorate's governance arrangements and each Strategic Director to sign off an annual Directorate Governance Statement. Content of the self-assessments to be reviewed by Internal Audit. - Regular update reports to the Services Management Team summarising progress in achieving the governance framework requirements and identifying and areas needing to be addressed. | <p>Low</p> |
| <p>3. Failure to provide process to produce an Annual Governance Statement in accordance with the CIPFA/SOLACE requirements leads to low CAA score.</p> | <p>High</p> | <ul style="list-style-type: none"> - Update Local Code of Corporate Governance to ensure consistency with core principles of CIPFA / SOLACE Framework guidance. | <p>Low</p> |

| Risk | Uncontrolled Risk | Controls | Controlled Risk |
|--|-------------------|---|-----------------|
| 4. Failure to gather quality data / information for use in preparing the 2008/09 AGS results in integrity failure, adverse comment from External Audit and wasted resources. | High | - Ensure that Group representatives possess the skills to review and challenge data / information supporting the AGS. | Low |

5. CONSULTATIONS CARRIED OUT

- 5.1 Consultation on the content of the 2008/09 AGS has taken place with the Chief Executive, Chief Executive's Management Team, Services Management Team and Directorate Management Teams, in addition to a cross section of officers from across the Council, including the Chair of the Audit and Performance Review Panel and S151 Officer.

6. IMPLICATIONS

- 6.1 The following implications have been addressed where indicated below.

| Financial | Legal | Human Rights Act | Planning | Sustainable Development | Diversity & Equality |
|-----------|-------|------------------|----------|-------------------------|----------------------|
| Y | Y(1) | Y | N/A | N/A | N/A |

- (1) The preparation and publication of an integrated Annual Governance Statement in accordance with the CIPFA/SOLACE Framework, subsumes the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 for the production of a Statement on Internal Control. It also meets the requirements of Chapter 7 of the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice.

Background Papers:

CIPFA/SOLACE – “*Delivering Good Governance in Local Government Framework*”

Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006.

Chapter 7 of the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice