

Annual Governance Statement

Scope of responsibility

Southwark 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. The Council 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.

In discharging this overall responsibility, Southwark Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.

Southwark Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.southwark.gov.uk. This statement explains how the Council has complied with the code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the review of the effectiveness the system of internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 the 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.

The governance framework has been in place at Southwark Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

The Council's governance framework

The Council's Constitution, which is updated annually, sets out how the Council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and Community Councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The Monitoring Officer ensures that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst members.

The Overview & Scrutiny Committee and its sub-committees scrutinise decisions made by the Cabinet, and those delegated to officers, and reviews services provided by the Council and its partners. The Scrutiny officer promotes and supports the Council's scrutiny functions.

The overall budget and policy framework of the Council is set by the Council Assembly and all decisions are made within this framework. The Council's overall policy is represented through the Council Plan, which is developed alongside the budget through consultation with residents and other stakeholders in the borough.

The Council Plan is a key reference tool for the Medium Term Resources Strategy, which enables the Council to make best use of financial, human, technological and other resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. At the broadest level, the Council also works with a number of key strategic partners through the local strategic partnership group of organisations.

From the Council Plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. More detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money, and performance is monitored and managed at every level on a regular basis.

The Council also monitors its performance through feedback from its residents and service users. Regular satisfaction surveys are undertaken of residents and service users and analyses of complaints raised under the Council's Corporate Complaints Policy regularly reported and considered by the Corporate Management Team. The Council also has a Whistleblowing Policy, which encourages staff to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The Council's financial management arrangements conform to the standards of the Chartered Institute of Public Finance and Accountancy (CIPFA). The Finance Director has statutory responsibility for the proper management of the Council's finances and is a key member of the Corporate Management Team. He formally devolves the management of the Council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making to divisional service managers and business unit managers through departmental schemes of management. The Finance Director also provides detailed finance protocols, procedures and guidance and training for managers and staff.

The Council's Risk Management Strategy ensures proper management of the risks to the achievement of the Council's priorities and helps decision-making. In the

Council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc) control the risks of fraud or error, and this framework is reviewed by internal audit. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The Council's legal services and procurement teams ensure that all are fit for purpose and the Council's interests are protected.

The Audit and Governance Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the Council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

Review of effectiveness

Southwark Council 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 senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- the Council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process
- the work of the corporate and departmental contract review boards
- an annual self assessment of the adequacy of the governance arrangements in departments completed by each strategic director
- the Council's internal audit coverage, which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Head of Audit's opinion on the overall adequacy of the Council's internal control framework, which is reported in his annual report
- the Head of Audit's annual report on anti-fraud and corruption activities
- the annual review of the effectiveness of the internal audit function
- external audit review of the work of the internal audit service and comment on corporate governance and performance management in their Annual Audit Letter and other reports
- Investors in People assessments and accreditation
- Ofsted annual children's services assessments
- the District Auditor's opinion on the Council's financial statements and on the pension fund accounts

- the work of the Audit and Governance Committee, which reviews the outcomes from the annual audit plan and the annual report of the Head of Audit
- the work of the Overview & Scrutiny Committee and its sub-committees
- an annual review of the constitution by the Constitutional Steering Panel, which recommends amendments, where appropriate, to the Constitution for agreement by the Council Assembly
- work of the Standards Committee, which includes monitoring the operation of the members' Code of Conduct and the Member and Officer Protocol.

Significant governance issues

The review, as detailed above, provides good assurance of the effectiveness of the Council's system of internal control. There have been no governance issues identified during the year that are considered significant in relation to the Council's overall governance framework. Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.

Signed on behalf of Southwark Council:

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Chief Executive

Leader of the Council

Date.....

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