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**Audit and Governance Committee**

24 September 2007

Report of the Assistant Director of Resources (Audit and Risk Management)

**The Local Code of Corporate Governance****Summary**

1. The purpose of this report is to present a draft Local Code of Corporate Governance, for consideration by Members. The report also provides Members with details of the new requirement to prepare an Annual Governance Statement, to be published as part of the Statement of Accounts.

**Background**

2. In June 2007, the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published a revised Framework on Corporate Governance. The new Framework replaces the previous CIPFA/SOLACE and is intended to build on the Good Governance Standard for Public Services drawn up by the Independent Commission on Good Governance in Public Services. The Framework represents best practice in local government and is designed to help local authorities develop and maintain appropriate governance arrangements. Under the terms of the new Framework all local authorities are encouraged to review their existing corporate governance arrangements, prepare a local code of corporate governance (based on the Framework) and publish an annual statement.
3. The Accounts and Audit Regulations 2003 (as amended 2006) imposed a legal requirement on all local authorities to publish an annual Statement on Internal Control (SIC) as part of their Statutory Accounts. The new Annual Governance Statement recommended by the Framework will satisfy the legal requirement to publish a SIC.

**The Draft Code of Corporate Governance**

4. The CIPFA/SOLACE Framework identifies six core principles necessary to support good governance, as follows;
  - a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
  - b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) Developing the capacity and capability of Members and officers to be effective;
- f) Engaging with local people and other stakeholders to ensure robust public accountability.

The Framework document in turn, outlines a series of supporting principles and provides examples of best practice. Local authorities are recommended to develop and maintain a local code of governance, and to report publicly on the extent to which the code has been complied with.

- 5. A draft Local Code of Corporate Governance has been prepared, detailing the arrangements which the Council currently has in place. It has been structured around the six core principles outlined in the CIPFA/SOLACE Framework. For each principle, the draft Code details the Council's existing governance arrangements. These arrangements take various forms including policies, structures, processes and procedures. The overall responsibility for each element of the governance framework is identified. Furthermore, the draft Code identifies the arrangements for monitoring ongoing compliance with, and the effectiveness of these arrangements. A copy of the draft Code is attached as annex 1 for information.

### **The Annual Governance Statement**

- 6. From 2007/08, local authorities will be required to prepare and publish an Annual Governance Statement in accordance with the revised Framework. The preparation of this Statement will ensure that the Council meets the requirements of the Accounts and Audit Regulations, as outlined at paragraph 3.
- 7. As with the preparation of the SIC, Internal Audit will be responsible for conducting an annual review of the Council's governance arrangements and internal control environment. Any areas of significant control weakness which are identified will be published in the Annual Governance Statement and the Code of Governance will be updated, as necessary.
- 8. Members of the Audit and Governance Committee will be required to scrutinise the content of the Annual Governance Statement prior to its publication.

### **Actions Required**

- 9. In preparing the draft Code of Governance, it is evident that a few areas may need to be strengthened to ensure that the Council complies fully with the requirements of CIPFA/SOLACE Framework. Further work is however needed to identify the specific actions, if any, which are required to achieve

compliance. A further report will be brought to Members once this work is complete

10. In the 2006/07 SIC, partnership governance arrangements were identified as a significant control weakness. The Code highlights the importance of partnerships in respect of each of the six core principles, and particularly the need to:
  - a) ensure that partnerships provide value for money;
  - b) clarify the legal status of each partnership and the respective responsibilities of partner organisations;
  - c) agree shared values as the basis for decision-making.
11. Work is ongoing to improve partnership governance arrangements, with progress being monitored by the Officer Governance Group.

## **Conclusions**

12. In preparing a Local Code of Corporate Governance, the Council is formalising its commitment to demonstrate good governance. Furthermore it will enable the Council to meet current legislative requirements.

## **Options**

13. Not relevant for the purpose of the report.

## **Analysis**

14. Not relevant for the purpose of the report.

## **Corporate Priorities**

15. This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

## **Implications**

16. The implications are:
  - **Financial** – there are no financial implications to this report.
  - **Human Resources (HR)** – there are no HR implications to this report.
  - **Equalities** – there are no equalities implications to this report.
  - **Legal** – there are no legal implications to this report.
  - **Crime and Disorder** – there are no crime and disorder implications to this report.

- **Information Technology (IT)** – there are no IT implications to this report.
- **Property** – there are no property implications to this report.

## **Risk Management**

17. The Council will fail to properly comply with the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
18. The Council will fail to comply with legislative requirements if it does not publish a Statement on Internal Control with the annual Statement of Accounts. The Council would be criticised by the external auditor if the process followed to prepare the Statement on Control was not sufficiently robust. This in turn would adversely impact on the Council's Comprehensive Performance Assessment (CPA) score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

## **Recommendations**

19. Members of the Audit and Governance Committee are asked to:
  - Consider and endorse the draft Code of Corporate Governance as presented at Annex 1.
  - Note the intention to prepare an action plan to address any identified weaknesses in the Council's existing governance arrangements.

### Reason

*To enable the Council to comply with best practice in respect of corporate governance.*

## **Contact Details**

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**Report Approved**



**Date** 7/9/07

### **Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All** ☒

**For further information please contact the author of the report**

**Background Papers:**

Delivering Good Governance in Local Government – Framework 2007 (CIPFA/SOLACE)  
The Good Governance Standard for Public Services 2004 (Independent Commission on Good Governance in Public Services)

**Annexes**

Annex 1 – Draft Code of Corporate Governance

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