

**Meeting:**           **Audit Committee**

**Agenda Item:**   **8**

Portfolio Area:    All

**Date:**             **15 June 2017**

## **Local Code of Corporate Governance**

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### **1. PURPOSE**

1.1. To advise Members of the Audit Committee on the content of the Council's Local Code of Corporate Governance from 2017/18.

### **2. RECOMMENDATIONS**

2.1. That Members of the Audit Committee approve the Council's Local Code of Corporate Governance at Appendix One.

### **3. BACKGROUND**

3.1. Regulation 6 of the 2015 Accounts and Audit (England) regulations requires that:

- The Council shall be responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
- The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control.
- The findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body, meeting as a whole.
- Following the review, the body or committee must approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.

3.2. The Department for Communities and Local Government clarified that the Annual Governance Statement is assigned 'proper practice' status in August 2006 and therefore has statutory backing.

3.3. The 2015 Accounts and Audit (England) Regulations reinforce this with a clear reference to the preparation of an Annual Governance Statement in accordance with proper practices (Regulation 6(4b)). Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes, "Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework 2016 and this section of the Code."

3.4. The revised CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework 2016', published April 2016 provides a structure to help individual local authorities with their approach to governance. Authorities should test their governance structures against the principles in the framework by:

- Reviewing existing governance arrangements. (28 March 2017 Audit Committee Report)
- Developing and maintaining an up to date Local Code of Governance, including arrangements for ensuring ongoing effectiveness.
- Reporting publicly on compliance with their own Code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes. (Annual Governance Statement Report: 15 June 2017)

3.5. The Council's Local Code of Corporate Governance was initially approved by Audit Committee on 17 March 2008 and reaffirmed 10 June 2015. The Code requires review to reflect the principles of good governance included in the 'Delivering Good Governance in Local Government Framework: 2016'.

3.6. The CIPFA/SOLACE seven core principles are:

A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law

B: Ensuring openness and comprehensive stakeholder engagement

(Principles A and B are considered fundamental and applicable through principles C to G)

C: Defining outcomes in terms of sustainable economic, social and environmental benefits

D: Determining the interventions necessary to optimise the achievement of intended outcomes

E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

F: Managing risks and performance through robust internal control and strong public financial management

G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

3.7. The updated Code of Corporate Governance for the Council is attached as Appendix One and will be applied from the 2017/18 review of effectiveness.

3.8. The Local Code of Corporate Governance will be reviewed every three years (review June 2020). Annual Governance Statements will outline governance enhancements applied during the interim years.

## **4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

4.1. As outlined in paragraph 3.1, to meet Regulation 6 of the 2015 Accounts and Audit (England) regulations, the Council must conduct a review at least once in a year of the effectiveness of its system of internal control. This involves a review of existing governance arrangements against those outlined in the Local Code of Corporate Governance.

4.2. In addition, an overarching local Code of Corporate Governance:

- Stimulates confidence in the activities of the Council
- Focuses those involved in local government on making decisions in a proper way and engaging local stakeholders
- Assists with continuous improvement in the delivery of services and serves to minimise the authority's exposure to risk.

4.3. The Local Code of Corporate Governance attached as Appendix One has been updated to reflect the principles of good governance included in the 'Delivering Good Governance in Local Government Framework: 2016'.

4.4. Senior management have been consulted on the arrangements outlined in the Local Code as appropriate to their area of responsibility.

## **5. IMPLICATIONS**

### **5.1. Financial Implications**

5.1.1. The annual review of the effectiveness of governance arrangements in line with the Local Code further strengthens the Council's sound base of strong financial management and assists in reducing risk.

### **5.2. Legal Implications**

5.2.1. It is a requirement of the Accounts and Audit (England) Regulations 2015 that the council review the effectiveness of its system of internal control annually. This involves a review of existing governance arrangements against those outlined in the Local Code of Corporate Governance.

### **5.3. Risk Implications**

- 5.3.1. A strong internal control environment contributes to the overall effective management of the Council and will minimise the risks of the Council failing to achieve its ambitions and priorities, and service improvements.
- 5.3.2. Without robust governance arrangements, there are potential service continuity and reputation risk implications.

### **5.4. Other Corporate Implications**

- 5.4.1. All aspects of the work of the Council are affected by its corporate governance arrangements, as well as the Council's partners in service delivery and other agencies with which the Council shares information. External bodies in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust governance arrangements that are fully embedded.

## **6. BACKGROUND DOCUMENTS**

- Local Code of Corporate Governance Audit Committee Report: 10 June 2015
- 'Delivering Good Governance in Local Government: Framework 2016'.

## **7. APPENDICES**

- Appendix One – Local Code of Corporate Governance