

Meeting: **Audit Committee**

Portfolio Area: All Portfolio Areas

Date: **28 March 2022**

CORPORATE GOVERNANCE ARRANGEMENTS

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1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- Activity carried out in 2021/22 to strengthen the Council's corporate governance arrangements.
- Corporate governance enhancement activity identified for delivery in 2022/23, which will be reflected in the Council's 2021/22 Annual Governance Statement.

2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on corporate governance enhancement activity during 2021/22.
- Corporate governance enhancement activity identified for 2022/23, for inclusion in the Council's 2021/22 Annual Governance Statement.

3. BACKGROUND

3.1. Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to ensure the Council runs effectively and can be held to account for its actions.

3.2. Local Governance Framework

3.2.1. In January 2008, Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. In April 2016, CIPFA/SOLACE revised this Framework to reflect the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector.'

The 2016 CIPFA/SOLACE 'Delivering Good Governance' Framework focuses on seven core principles of good governance and recommends the actions an authority needs to follow to:

- Set out its commitment to the principles of good governance
- Determine its own governance structure, or Local Code of Governance.
- Ensure that it operates effectively in practice through the review of arrangements.

3.2.2. The Framework defines the principles that should underpin the governance of each local government organisation and outlines the requirement for authorities to test their governance structures and partnerships against the principles contained in the Framework by:

- Developing and maintaining an up to date Local Code of Governance, including arrangements for ensuring ongoing effectiveness
- Reviewing existing governance arrangements, and
- Reporting publicly on compliance with the Local Code of Governance on an annual basis setting out how they have monitored the effectiveness of their governance arrangements in the year and identify any enhancement required.

3.2.3. The CIPFA/SOLACE seven core principles of good governance 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

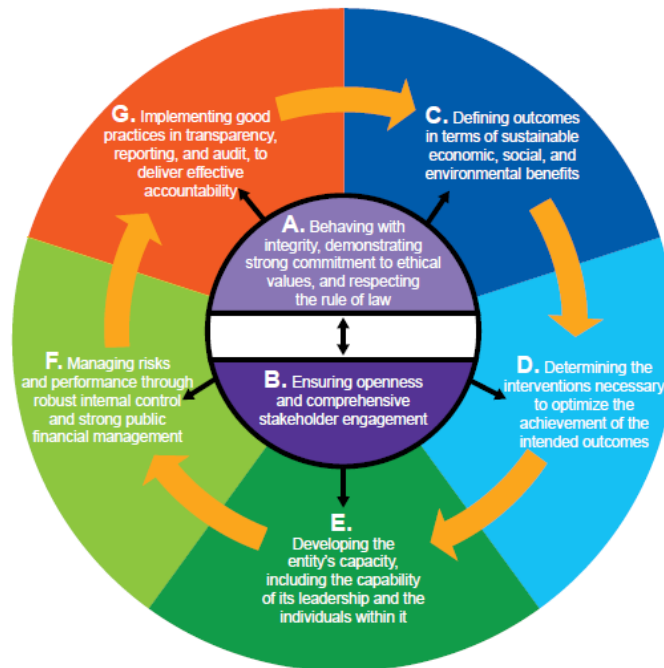
D: Determining the interventions necessary to optimise the achievement of intended outcomes

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.

The diagram overleaf, taken from the International Framework, Good Governance in the Public Sector (CIPFA/IFAC, 2014) illustrates the above principles of good governance in the public sector and how they relate to each other.



3.2.4 For each of the above core principles, the Framework outlines a set of sub-principles and a set of behaviours and actions that demonstrate good governance in practice.

3.3 Local Code of Governance

3.3.1 To achieve good governance, a local authority should be able to demonstrate that its governance structures comply with those outlined in the 'Delivering Good Governance' Framework. The Framework states that the authority should develop and maintain a Local Code of Governance which reflects the principles identified in the Framework.

3.3.2 The Council's current Local Code of Governance which is revised annually to enhance the assessment process was last approved by Audit Committee in June 2021 and will be considered by Audit Committee at its meeting in June 2022.

3.4 Legislation and Proper Practice

The self-assessment of the Council's corporate governance arrangements against the CIPFA/SOLACE Framework principles forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

3.5 Review of Corporate Governance Arrangements

3.5.1 The primary focus of the Council's review of governance arrangements is focused on compliance with the core and sub-principles that form the 'Delivering Good Governance' Framework.

- 3.5.2** To ensure a proactive approach to this review, Corporate Governance Group meets quarterly to regularly consider the effectiveness of the Council's governance arrangements against the Framework. Each of the seven principles (outlined previously in Paragraph 3.2.3) is reviewed by Corporate Governance Group throughout the year.
- 3.5.3** Significant enhancement activity identified as a result of these reviews is reflected in Appendix A and Appendix B of this report. To provide Members with a complete picture of governance enhancement carried out in 2021/22 and scheduled for 2022/23, enhancement activity pertaining to best practice has also been reflected in Appendix A and Appendix B.
- 3.5.4** Enhancement activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan, or if identified as key to the management of 'very high/high level' strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and the delivery of outcomes should be addressed.

REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

The self-assessment of the Council's corporate governance arrangements against the 'Delivering Good Governance in Local Government' Framework principles and identification of significant governance action to facilitate continued compliance with this Framework, forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

4. IMPLICATIONS

4.1. Financial Implications

There are no direct financial implications arising from this report.

4.2. Legal Implications

The governance enhancements identified inform the Annual Governance Statement which will be reported to Audit Committee in June 2022. It is a requirement for the Council to publish an Annual Governance Statement alongside its Statement of Accounts.

4.3. Risk Implications

Risk management supports robust corporate governance arrangements by identifying potential risks associated with the achievement of corporate priorities and statutory requirements. Weakness in corporate governance arrangements can increase risk for the Council. Governance arrangements need to be sound and seen to be sound to mitigate risk.

4.4. Other Corporate Implications

Corporate governance affects all aspects of the work of the Council, as well as partners of the Council contributing to outcome 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 and a commitment to ensuring effectiveness.

5.5. Climate Change Implications

Climate change will be considered as part of the Council's governance arrangements.

5. BACKGROUND DOCUMENTS

- CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Framework and Guidance
- CIPFA/IFAC International Framework: 'Good Governance in the Public Sector', published August 2014
- Audit Committee Report: Local Code of Corporate Governance (8 June 2020)

6. APPENDICES

- Appendix A: Corporate Governance Enhancement Activity carried out in 2021/22
- Appendix B: Corporate Governance enhancement activity planned for 2022/23.