

## **For publication**

### **Review of the Code of Corporate Governance and the annual Governance Statement**

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| Meeting:           | Standards and Audit Committee<br>Cabinet |
| Date:              | 24 May 2017<br>16 May 2017               |
| Cabinet portfolio: | Cabinet Member for Governance            |
| Report by:         | Internal Audit Consortium Manager        |

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## **For publication**

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### **1.0 Purpose of report**

- 1.1 To Review compliance with the Code of Corporate Governance requirements during the year 2016/17 and to present the Annual Governance Statement and associated action plan.

### **2.0 Recommendations**

- 2.1 That the Cabinet consider the following documents and refer any comments to the Standards and Audit Committee:
- a) the Annual Review of the Local Code of Corporate Governance for 2016/17 (Appendix A);
  - b) The review of the key elements that comprise the Council's governance arrangements (Appendix B)
  - c) the Annual Governance Statement (Appendix C);

- d) the Annual Governance Statement Action Plan (Appendix D).
- 2.2 That the Standards and Audit Committee:
- a) consider the documents listed in 2.1 above, together with any comments from Cabinet;
  - b) subject to any amendments that they consider appropriate, approve the Annual Governance Statement and Action Plan;
- and
- c) recommend that the Annual Governance Statement be signed by the Leader and Chief Executive.
- 2.3 That a review of the Code of Corporate Governance be undertaken in 12 months' time.
- 2.4 That progress on the Action Plan is monitored by the Corporate Management Team.

### **3.0 Report Details**

#### **Background**

- 3.1 As good practice and to promote sound governance arrangements local authorities are recommended to adopt and regularly review a Code of Corporate Governance. The Code of Corporate Governance details the system by which the Council controls and directs its functions and how it relates to its local community. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 3.2 The Council's Code of Corporate Governance has been revised for 2016/17 following the issue of "delivering good governance in Local Government Framework 2016 Edition" by CIPFA/SOLACE. This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 3.3 The Annual Governance Statement builds on the annual review of the Code of Corporate Governance. In England, the preparation

and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015. The Regulation requires authorities to prepare an Annual Governance Statement in accordance with “proper practices” in relation to internal control. The CIPFA / SOLACE framework, ‘Delivering Good Governance in Local Government: Framework (2016)’, defines such “proper practices”.

3.4 The Annual Governance Statement should be an open and honest self-assessment of the organisation’s performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern. The 2016 CIPFA/SOLACE Framework sets out the following core principles of good Governance:-

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement;
- c. Defining outcomes in terms of sustainable economic, social and environmental benefits;
- d. Determining the interventions necessary to optimize the achievement of the 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.

3.5 Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in the Framework.

- 3.6 Within the delivering good governance in Local Government Framework 2016 Edition is a list of the key elements of the structures and processes that comprise an authority's governance arrangements. The Corporate Management Team and other senior officers have reviewed the position in Chesterfield Borough Council against the key elements and this review is shown at Appendix B.

### **Review of compliance with the Code of Corporate Governance requirements**

- 3.7 The Review in Appendix A shows that compliance with the Code requirements has been largely achieved during the year 2016/17. Where there is only part compliance or no compliance these areas have been addressed within the Annual Governance Statement Action Plan.

### **The Annual Governance Statement**

- 3.8 The review of compliance with the Code of Corporate Governance helps to identify evidence which is then used in the Annual Governance Statement.
- 3.9 The guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) has also been used when producing the Annual Governance Statement. The Annual Governance Statement (Appendix C) and action plan (Appendix D) have been derived from a detailed review of the assurances by senior officers and from the work undertaken and risks identified by internal audit.
- 3.10 The Corporate Management Team and other senior officers have all been involved in the review.
- 3.11 The review indicates that many of the processes and procedures in place at Chesterfield Borough Council are compliant with good practice however there are a number of governance issues that are detailed within the annual governance statement that require addressing.

- 3.12 Where it has been found that there is a gap or an area where the system of internal control could be further improved, the relevant item has been incorporated into an Action Plan shown as Appendix D. The items in the Action Plan have been ranked, with the more significant issues being included in the Annual Governance Statement (Appendix C) that will be published with the Council's Statement of Accounts.
- 3.13 The Annual Governance Statement (Appendix C) follows the layout of a pro forma statement recommended by the CIPFA guidance. The Statement should be signed by the Leader of the Council and the Chief Executive.

#### **4.0 Human resources / people management implications**

- 4.1 None

#### **5.0 Financial implications**

- 5.1 There are no cost implications.

#### **6.0 Legal and data protection implications**

- 6.1 The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015.

#### **7.0 Consultation**

- 7.1 The Corporate Management Team and other senior officers have been involved in the review.

#### **8.0 Risk Management**

- 8.1 The failure to operate a sound system of Corporate Governance would represent a significant risk to the Council. The review of the Code of Corporate Governance and the preparation of the Annual Governance Statement have resulted in the production of an action plan to address the risks identified. Progress against the action plan will be monitored by the Corporate Management Team and the Standards and Audit Committee.

#### **9.0 Equalities Impact Assessment (EIA)**

9.1 Whilst there are not considered to be any direct equalities impacts in relation to this report, sound corporate governance arrangements will support the achievement of the Council's equalities objectives.

## **10 Alternative options and reason for rejection**

10.1 Not Applicable

## **11.0 Recommendations**

11.1 That the Cabinet consider the following documents and refer any comments to the Standards and Audit Committee:

a) the Annual Review of the Local Code of Corporate Governance for 2016/17 (Appendix A);

b) The review of the key elements that comprise the Council's governance arrangements (Appendix B)

c) the Annual Governance Statement (Appendix C);

d) the Annual Governance Statement Action Plan (Appendix D).

11.2 That the Standards and Audit Committee:

a) consider the documents listed in 2.1 above, together with any comments from Cabinet;

b) subject to any amendments that they consider appropriate, approve the Annual Governance Statement and Action Plan;

and

c) recommend that the Annual Governance Statement be signed by the Leader and Chief Executive.

11.3 That a review of the Code of Corporate Governance be undertaken in 12 months' time.

11.4 That progress on the Action Plan is monitored by the Corporate Management Team.

## **12.0 Reasons for recommendations**

- 12.1 To enable the Cabinet and the Standards and Audit Committee to monitor compliance with the Code of Corporate Governance.
- 12.2 In order to comply with the requirements of the Accounts and Audit Regulations 2015.
- 12.3 To support the maintenance of sound governance arrangements within the Council.

**Decision information**

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|---|------------|
| <b>Key decision number</b>              | <b>NA</b>  |
| <b>Wards affected</b>                   | <b>All</b> |
| <b>Links to Council Plan priorities</b> | All        |

**Document information**

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| <b>Background documents</b>   |   |
| These are unpublished works which have been relied on to a material extent when the report was prepared.  |   |
| Accounts and Audit (England) Regulations 2015<br>CIPFA/SOLACE publication – Delivering Good Governance in Local Government Framework 2016 Edition |   |
| LOCATION: Internal Audit Office   |   |