

FOR PUBLICATION

REVIEW OF CODE OF CORPORATE GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT (B000)

MEETING:	1. EXECUTIVE MEMBER FOR GOVERNANCE AND ORGANISATIONAL DEVELOPMENT
	2. CABINET
	3. STANDARDS AND AUDIT COMMITTEE
DATE:	1. 4th JUNE 2014
	2. 17th JUNE 2014
	3. 27th JUNE 2014
REPORT BY:	CORPORATE MANAGEMENT TEAM
WARD:	ALL
COMMUNITY ASSEMBLIES:	ALL

FOR PUBLICATION

BACKGROUND PAPERS FOR PUBLIC REPORTS:

Accounts and Audit (England) Regulations 2011
CIPFA/SOLACE publication – Delivering Good Governance in
Local Government guidance note and framework
CIPFA publication – Delivering good governance in Local
Government Guidance Note for English Authorities and
Addendum 2012 Edition

LOCATION: Internal Audit Office

1.0 **PURPOSE OF REPORT**

- 1.1 To Review compliance with the Code of Corporate Governance requirements during the year 2013/14. The review of the Code of Corporate Governance has been used to provide evidence to support the Annual Governance Statement.
- 1.2 To present for Members consideration the following documents as required by the Accounts and Audit (England) Regulations 2011:
- A review of the key elements of the systems and processes that comprise the Authority's governance and examples and evidence of assurances in support of the authority's Annual Governance Statement
 - An action plan arising from the above assessment
 - An Annual Governance Statement for the Council to accompany the Council's Statement of Accounts for 2013/14.

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 2013/14 (Appendix 1)
 - b) the review of the key elements of the systems and processes (Appendix 2);
 - c) the Review of Assurances (Appendix 3);
 - d) the Action Plan (Appendix 4); and
 - e) the Annual Governance Statement (Appendix 5)
- 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; &
 - 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 **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.
- 3.2 A Code of Corporate Governance was first adopted in 2002 and was revised in 2008 following new guidance issued jointly by SOLACE (Society of Local Authority Chief Executives) and CIPFA (Chartered Institute of Public Finance and Accountancy). The Code of Corporate Governance (Appendix 1) has been revised again following the issue of a further Guidance Note and Addendum in 2012 by CIPFA/SOLACE.
- 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 Regulation 4(3) of the Accounts and Audit (England) Regulations 2011. 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’, 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 CIPFA/SOLACE Framework sets out the following 6 core principles which Authorities should follow:-
- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of Members and Officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.5 The key purposes of the Annual Governance statement is to assess the extent to which the above key principles are in place within an Authority and are adhered to in practice.
- 3.6 Within the Addendum to the revised guidance issued in 2012 by CIPFA/SOLACE is a list of the key elements of the systems and processes that comprise an authority's governance. Appendix 2 of this report reviews the position in Chesterfield Borough Council against the principles set out in the revised guidance.
- 3.7 The review of the key elements of governance (Appendix 2) is supplemented by the review of assurance and evidence at Appendix 3.

4.0 **REVIEW OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE REQUIREMENTS**

- 4.1 The Review in Appendix 1 shows that compliance with the Code requirements has been achieved during the year 2013/14 for the majority of The Local Code requirements. There was only one area where only partial compliance was achieved (Item 1.1.4 in Appendix 1 – the requirement to publish an Annual Report). It is, however, considered that existing performance monitoring and reporting in respect of the Corporate Plan and Performance indicators largely cover this issue and, therefore, no further action is proposed at this time.

5.0 **THE ANNUAL GOVERNANCE STATEMENT**

- 5.1 The review of compliance with the Code of Corporate Governance (Section 4 above) helps to identify evidence which is then used in the Annual Governance Statement.

- 5.2 The guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) has been used when reviewing the assurances (Appendices 2 and 3) and producing the Annual Governance Statement (Appendix 5).
- 5.3 A Group of Officers has been involved in the review including, the Head of Governance, the Head of Finance, the Head of Business Transformation, the Interim Head of Audit and Policy Manager.
- 5.4 The completion of Appendices 2 and 3 indicate that to a large extent the processes and procedures in place at Chesterfield Borough Council are compliant with good practice.
- 5.5 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 4. The items in the Action Plan have been ranked, with the more significant issues being included in the Annual Governance Statement (Appendix 5) that will be published with the Council's Statement of Accounts.
- 5.6 It should be noted that the same two significant issues of governance have been raised as were raised in 2012/13. In terms of issue one, the budget situation is an ongoing issue faced by every Council in the country. Processes and systems are in place and are operating however it is an area that needs to be kept under constant review. In terms of issue two, the revised contract procedure rules should be adopted in July 2014 and training for officers will follow on from this.
- 5.7 The Annual Governance Statement (Appendix 5) 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.

6.0 **RISK MANAGEMENT AND EQUALITIES**

- 6.1 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 demonstrate that the Code of Corporate Governance is operating effectively in the majority of areas and therefore minimises any risk from a failure of corporate governance.

7.0 **EQUALITIES**

7.1 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.

8.0 **RECOMMENDATIONS**

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

- f) the Annual Review of the Local Code of Corporate Governance for 2013/14 (Appendix 1)
- g) the review of the key elements of the systems and processes (Appendix 2);
- h) the Review of Assurances (Appendix 3);
- i) the Action Plan (Appendix 4); and
- j) the Annual Governance Statement (Appendix 5)

8.2 That the Standards and Audit Committee:

- d) consider the documents listed in 2.1 above, together with any comments from Cabinet;
- e) subject to any amendments that they consider appropriate, approve the Annual Governance Statement and Action Plan; &
- f) recommend that the annual Governance Statement be signed by the Leader and Chief Executive.

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

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

9.0 **REASON FOR RECOMMENDATIONS**

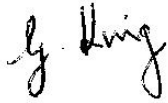
9.1 To enable the Cabinet and the Standards and Audit Committee to monitor compliance with the Code of Corporate Governance.

9.2 In order to comply with the requirements of the Accounts and Audit Regulations 2011.

9.3 To support the maintenance of sound governance arrangements within the Council.

For further information on this report contact Jenny Williams Ext 5468.

Officer recommendation supported / not supported / modified as below
or Executive Member's recommendations / comments if no officer
recommendation



Signed

Executive Member

Date: 4 June 2014

Assistant Executive Members' comments