

Delivering Good Governance in Local Government

Standards Committee

Date: 21st January 2008

Authors: Director of Law and Democratic Services and Head of Internal Audit

Wards Affected: All

Purpose

- The purpose of the report is to update the Standards Committee on the new CIPFA/SOLACE Code of Corporate Governance and Annual Governance Statement.

Recommendations

The Standards Committee is asked to:

- (1) Note that the Corporate Governance Working Group have requested the Director of Law and Democratic Services and the Head of Internal Audit to review the existing governance arrangements against the Corporate Governance Framework published by CIPFA/SOLACE.
- (2) Note that the Corporate Governance Working Group have requested the Director of Law and Democratic Services to develop a Local Code of Governance, including arrangements for its ongoing application and effectiveness.
- (3) Recognise the Audit Committee's role in recommending the approval of the annual governance statement reporting publicly on the extent to which the Council complies with its own code annually, including how the Council has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period
- (4) Note that the Corporate Governance Working Group, the Standards Committee, the Council's Corporate Board, the Cabinet, the Audit Committee and the full Council will all be involved in the reporting lines of the process associated with the preparation of the Annual Governance Statement.

1 Reasons

- 1.1 CIPFA/SOLACE have recently produced an updated governance framework. The framework is a discretionary code and is offered as good practice. However, part of the framework requires the publication of an Annual Governance Statement, replacing the Statement on Internal Control, and this is a statutory requirement under The Accounts and Audit (Amendment) Regulations 2006.
- 1.2 It is important that the Council follow best practice and comply with relevant legislation.

2 Detail

The Governance Framework

- 2.1 Governance comprises the systems and processes, and cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate leads the community.
- 2.2 Each Council will operate through a governance framework that brings together an underlying set of legislative requirements, governance principles and management processes. The CIPFA/SOLACE Framework is intended to be followed as best practice for developing and maintaining a Local Code of Governance and for discharging accountability for the proper conduct of public business through the publication of an Annual Governance Statement that should make the adopted practice more open and explicit.
- 2.3 The Framework defines the principles that should underpin the governance of each local authority body. It aims to provide a structure to help individual authorities with their own approach to governance.
- 2.4 The Framework outlines six core principles of good governance:
- 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 risk management.
 - Developing the capacity and capability of Members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 2.5 Authorities should then test their structures against these principles by:
- Reviewing existing governance arrangements against the Framework.
 - Developing and maintaining an up-to-date local code of governance, including arrangements for its ongoing application and effectiveness.
 - Preparing a governance statement in order to report publicly on the extent to which they comply with their own code annually, including how they have monitored the effectiveness of their governance arrangement in the year, and on any planned changes in the coming period.

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- 2.6 The degree to which the authority follows these principles should then be recorded in the Annual Governance Statement, which will be published alongside the Council's accounts for 2007/08.

The Annual Governance Statement

- 2.7 The Annual Governance Statement is the formal statement that recognises, records and publishes an authority's governance arrangements. It is a statement that has now subsumed the Statement on Internal Control (SIC).
- 2.8 It is designed not only to give an opportunity for authorities to consider the robustness of their governance arrangements, but also provide an accurate representation of arrangements in place during the year and to identify areas where improvement is required.

Roles and Responsibilities for producing the Annual Governance Statement

- 2.9 The Leader of the Council and Chief Executive retain joint responsibility as signatories for the accuracy and completeness of the Annual Governance Statement, and must satisfy themselves that it accurately reflects the governance framework for which they are responsible.
- 2.10 Like the Statement on Internal Control, at the centre of the review process will be a corporate body that have the ultimate responsibility for drafting the Annual Statement. For the Statement on Internal Control this was undertaken by the Corporate Board supported by a working group consisting of the Directors of Finance; Law and Democratic Services; Performance, Policy and Communications; Local Provision and the Head of Internal Audit.
- 2.11 The Group would receive assurances from a number of officers, stakeholders and member bodies (including the Standards Committee and the Corporate Governance Working Group) and be responsible for evaluating the assurances and ensuring that adequate supporting evidence is available to substantiate it. This will involve confirming that there is consistency within existing policies and the governance framework. Transparency and clear co-ordination and referencing of all areas of assurance and evidence across the organisation will ultimately promote and increase corporate awareness of the governance statement.
- 2.12 Risk Management will feature strongly in the process by advising on risks to achieving corporate objectives and statutory requirements, as set out in corporate, directorate and departmental risk registers, and how they are managed.
- 2.13 The Head of Internal Audit will produce a written statement (Head of Internal Audit's Annual Report) timed to support the Annual Governance Statement.

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In addition the Head of Internal Audit will be responsible for interim reporting to the organisation throughout the year, addressing emerging issues in respect of the whole range of areas covered by the annual report. The Head of Internal Audit currently provides these reports to meetings of the Audit Committee. This will help to ensure that the opinion in the annual Audit Report may be relied upon as a key piece of evidence for the Annual Statement.

- 2.14 Once the draft Annual Governance Statement is complete it will in turn be reported to Cabinet who will make recommendations to the Audit Committee, who should critically review the Statement and its supporting documentation. It is vital that they remain independent of the compilation of the Statement and that they have the power to make recommendations, and ultimately changes, to the process and statement. The Audit Committee will then approve the Statement for submission to the Leader and the Chief Executive for signature.
- 2.15 Key to production of the Annual Statement is the evaluation of assurances and review of evidence to support the governance framework. In order to achieve this, reliance will need to be placed on many other sources of assurance. The flowchart at Appendix 1 and details at Appendix 2 show the potential sources and demonstrates the review process.
- 2.16 The Flowchart at Appendix 3 shows the proposed process for assurance gathering and makes suggestions as to the key areas to consider at each stage.
- 2.17 The Audit Commission have amended the Use of Resources Key Lines Of Enquiry (KLOES) for 2007/08 (see Appendix 4 attached) to take account of the introduction of the Annual Governance Statement in replacing the Statement on Internal Control, and have included references to the 'effectiveness of the governance framework' rather than the focus on internal control.
- 2.18 There is also a new focus on the assurance and evidence relating to joint working arrangements and partnerships. This is cited as one of the most notable and high profile additions in the Annual Governance Statement, and is also a new criterion for Level 4 in section 4.2 of the KLOE.

Timescales

- 2.19 The Annual Governance Statement should be reviewed at least once a year. However, to ensure it adds value to the organisation assurances on the effectiveness of its internal control arrangements, it should be an ongoing process throughout the year.

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- 2.20 Authorities are required to include the Annual Governance Statement in the approval process of the statement of accounts in June, however the statutory reporting requirement is linked to the publication of the statement of accounts, 3 months after the deadline for approval (i.e. September).
- 2.21 The Statement (a pro forma is set out in Appendix 5: Delivering Good Governance in Local Government: Framework – see pages 33 to 37) must be approved at a meeting of the Audit Committee. There is no statutory timetable for this approval, however it should be satisfied that the document is still current at the time of its publication.
- 2.22 It is not necessary to have approved a Local Code of Corporate Governance in order to prepare the Annual Governance Statement, but it is good practice.
- 2.23 The Council's Corporate Governance Working Party considered a report on the new Corporate Governance Framework and Annual Governance Statement at its meeting on 31st October. The Working Party welcomed the opportunity to be involved in the preparation and review process, and resolved:
- (1) That the Group Director, Resources and Leisure, the Director of Law and Democratic Services and the Head of Internal Audit be requested to review the Council's existing governance arrangements against the Corporate Governance Framework published by CIPFA/SOLACE.
 - (2) That the Director of Law and Democratic Services develop a Local Code of Governance, including arrangements for its ongoing application and effectiveness.
 - (3) That the Corporate Governance Working Group confirms it would wish to be involved in commenting on an Annual Governance Statement reporting publicly on the extent to which the Council complies with its own code annually, including how the Council has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
 - (4) That it be noted that the Corporate Governance Working Group, the Standards Committee, the Council's Corporate Board, the Cabinet, the Audit Committee and the full Council will all be involved in the reporting lines of the process associated with the preparation of the Annual Governance Statement.

Alternative Options

- Not Applicable.

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Risk Management

Financial and Procurement Implications

- There are no direct financial implications from this report.
- Compliance with best practice on the Annual Governance Statement is included in a number of the key lines of enquiry for the Use of Resources assessment for all levels.
- External Audit will review the Annual Governance Statement for compliance with proper practice.

Legal/Human Rights Implications

- The Council must provide an Annual Governance Statement for inclusion with the Council's statement of accounts in accordance with The Accounts and Audit Regulations 2006.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- The purpose of the Annual Governance Statement process is to produce a formal statement that recognises, records and publishes an authority's governance arrangements. It incorporates the requirements previously reported in the Statement on Internal Control. It is important that the Statement sets out the strategic and corporate risks to the Council's key objectives i.e. the Corporate Plan, Swindon 2010 promises etc.

Consultees

- The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.
- The Chief Executive
- The Group Director, Business Transformation
- Head of Internal Audit.

Background Papers and Appendices

- Appendix 1 – Proposed Framework for the Annual Governance Statement
- Appendix 2 - Examples of Key Areas that may Provide Assurance on the Adequacy and Effectiveness of Controls Over Our Key Risks
- Appendix 3 – Review of the Annual Governance Statement and the Assurance Gathering Process
- Appendix 4 – Use of Resources Kloses relating to the Annual Governance Assurance Statement
- Appendix 5 – Pro forma: Annual Governance Assurance Statement (Delivering Good Governance in Local Government: Framework – see pages 33 to 37)