

**CANNOCK CHASE COUNCIL**  
**AUDIT & GOVERNANCE COMMITTEE**  
**14<sup>TH</sup> APRIL 2008**  
**REPORT OF THE DIRECTOR OF GOVERNANCE**  
**CODE OF CORPORATE GOVERNANCE AND**  
**THE ANNUAL GOVERNANCE STATEMENT**

**1. Purpose of Report**

- 1.1 To present to the Audit & Governance Working Group the proposed Code of Corporate Governance for the Council and the arrangements for the production of the Annual Governance Statement (AGS).

**2. Recommendations**

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| <p>2.1 That the Committee recommend to the Council the approval of the Code of Corporate Governance-08.</p> <p>2.2 That the Committee endorses the process for the production of the Annual Governance Statement.</p> |
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**3. Key Issues**

- 3.1 Local Authorities are recommended to adopt a Code of Corporate Governance and to monitor performance against the Code. The Council's governance arrangements form a key part of the annual Use of Resources assessment undertaken by the Council's External Auditors.
- 3.2 Whilst the Council has in place the key components of a governance framework, it has not formally documented these in a Code of Corporate Governance.
- 3.3 A Code of Corporate Governance has been prepared based on the Cipfa/ SOLACE document "Delivering Good Governance in Local Government". A copy of the proposed Code is attached at Appendix A.
- 3.4 The Cipfa/SOLACE guidance outlines the key principles of good governance and the requirements for the publication of the Annual Governance Statement with the Statement of Accounts. The latter being a statutory requirement with effect from the 2007-08 accounts.
- 3.5 The sources of assurance for the production of the Annual Governance Statement are illustrated in the Assurance Framework given at Appendix B.
- 3.6 The process for the production and approval of the Annual Governance Statement is outlined in Appendix C.

#### 4. Background

4.1 The Cipfa/SOLACE guidance has been based on The Good Governance Standard for Public Services by the Independent Commission on Good Governance in Public Services.

4.2 The guidance defines governance as:

*'Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.'*

4.3 Governance comprises the systems and processes and culture and values, by which the council is directed and controlled and through which it accounts to, engages with and leads the community.

4.4 The guidance sets out six key principles of good governance as:

- (i) Focusing on the purpose of the authority and on outcomes for the community creating and implementing a vision for the local area
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles
- (iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- (v) Developing the capacity and capability of Members and Officers to be effective
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

4.5 The Cipfa/SOLACE guidance has been adopted as providing 'proper practices' to meet the statutory requirement under the Accounts and Audit Regulations (amendment 2006) to review annually the effectiveness of the system of internal control and publish a statement on internal control. What this means in practice is that the Council will no longer publish a Statement on Internal Control (SIC) but will incorporate this within an Annual Governance Statement (AGS). An annual review of governance arrangements and publication of the Statement is thus a statutory requirement.

4.6 The recommended best practice to support the production of the AGS includes the following:

- Review the council's existing governance arrangements against the framework.
- Develop and maintain an up to date local code of governance, including arrangements for ensuring its ongoing application and effectiveness.

4.7 The AGS needs to include the following information:

- An acknowledgement of responsibility for ensuring that there is a sound system of governance.
- An indication of the level of assurance that the systems and processes that comprise the governance arrangements can provide.
- A brief description of the governance framework.

- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements.
  - An outline of actions taken or proposed to deal with any significant governance issues.
- 4.8 The governance statement needs to cover all significant corporate systems, processes and controls, spanning the whole range of the council's activities.
- 4.9 In the development of the AGS the Council will need to gain assurance from a number of sources. The proposed "Assurance Framework" to support the production of the AGS is set out in Appendix B.
- 4.10 The production of the AGS will be co-ordinated by the Head of Governance & VFM, supported by a working group consisting of:
- Director of Governance (Monitoring Officer);
  - Head of Financial Management (Section 151 Officer);
  - Legal & Democratic Services Managers (Deputy Monitoring Officer); and
  - Chief Internal Auditor.
- 4.11 The process for the production and the approval of the AGS is outlined in Appendix C.

## 5. Legal Implications

- 5.1 The Council is required to produce specific reports and statements relating to its internal governance arrangements. In accordance with Regulation 4 of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) Regulations 2006) the Council is required to publish a statement on internal control in accordance with proper practices. From 2007-088 the supplement to the Good Governance Framework defines what is meant by 'proper practices' and the form and content of a governance statement. This report and enclosures meets those requirements.

## 6. Financial Implications

- 6.1 There are no financial implications arising directly from this report.
- 6.2 Good financial management is one of the key principles that underpins good governance. As stated in the Code, the section 151 officer, ie the Head of Financial Management, is responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

## 7. List of Background Papers

Cipfa/SOLACE Document – Delivering Good Governance in Local Government – Framework  
Cipfa/SOLACE Document – Delivering Good Governance in Local Government – Guidance Note for English Authorities

8. **Annexes to the Report**

Appendix A – Code of Corporate Governance

Appendix B – Governance Assurance Framework

Appendix C – Process for the Production and Approval of the Annual Governance Statement

**1. INTRODUCTION**

- 1.1 Cannock Chase Council recognises that it is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability Members and officers will be responsible for putting in place proper arrangements for the governance of the authority's affairs and the stewardship of the resources at its disposal.
- 1.2 To this end the authority has approved and adopted this Code of Corporate Governance which is consistent with the principles and requirements of the CIPFA/SOLACE framework for *"Delivering Good Governance in Local Government"*.
- 1.3 Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 1.4 The six key principles of good governance are:
- (i) Focusing on the purpose of the authority and on outcomes for the community creating and implementing a vision for the local area
  - (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - (iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
  - (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - (v) Developing the capacity and capability of Members and Officers to be effective
  - (vi) Engaging with local people and other stakeholders to ensure robust public accountability.
- 1.5 This Code applies to all officers and Members in the discharge of their duties.

## 2. PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The authority supports and will apply the six core principles of good corporate governance, and their related supporting principles, as follows:

### Core principle 1

**Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

### Supporting principles

- exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users
- ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

### The authority will:

- develop and promote the authority's purpose and vision
- review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements
- ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners
- publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance
- decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available
- put in place effective arrangements to identify and deal with failure in service delivery
- decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies plans and decisions.

## Core principle 2

### Members and officers working together to achieve a common purpose with clearly defined functions and roles

#### Supporting principles

- ensuring effective leadership throughout the authority and being clear about executive and non executive functions and of the roles and responsibilities of the scrutiny function
- ensuring that a constructive working relationship exists between Members and officers and that the responsibilities of Members and officers are carried out to a high standard.
- ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.

#### The authority will:

- set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's Members individually and the authority's approach towards putting this into practice
- set out a clear statement of the respective roles and responsibilities of other Members, Members generally and of senior officers
- determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required
- make the Chief Executive responsible and accountable to the authority for all aspects of operational management
- develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained
- make a senior officer (the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control
- make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with
- develop protocols to ensure effective communication between members and officers in their respective roles
- set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel
- ensure that effective mechanisms exist to monitor service delivery
- ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated

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- when working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority
- when working in partnership:
  - ensure that there is clarity about the legal status of the partnership
  - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

### Core principle 3

#### Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

##### Supporting Principles

- ensuring Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- ensuring that organisational values are put into practice and are effective.

##### The authority will:

- ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
- ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols
- put in place arrangements to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice
- develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners
- put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
- develop and maintain an effective Standards Committee
- use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority
- in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.

## Core principle 4

### Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

#### Supporting principles

- being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- ensuring that an effective risk management system is in place
- using their legal powers to the full benefit of the citizens and communities in their area.

#### The authority will:

- develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.
- develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice
- develop and maintain an effective Audit & Governance Committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee
- Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints
- ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
- ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately
- ensure that risk management is embedded into the culture of the authority, with Members and managers at all levels recognising that risk management is part of their jobs
- ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access
- actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities
- recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law

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- observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.

## Core principle 5

### Developing the capacity and capability of Members and officers to be effective

#### Supporting principles

- making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal.

#### The authority will:

- provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis
- ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority
- assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively
- develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
- ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might for, example, aim to address any training or development needs
- ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority
- ensure that career structures are in place for members and officers to encourage participation and development

## Core principle 6

### Engaging with local people and other stakeholders to ensure robust local public accountability

#### Supporting principle

- exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships
- taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning
- making best use of human resources by taking an active and planned approach to meet responsibility to staff.

#### The authority will:

- make clear to themselves, all staff and the community to whom they are accountable and for what
- consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required
- produce an annual report on the activity of the scrutiny function
- ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively
- Hold meetings in public unless there are good reasons for confidentiality.
- ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
- establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result
- on an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.
- ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so
- develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.

### **3. MONITORING AND REPORTING**

3.1 The authority will undertake regular, at least annual, reviews of its governance arrangements to ensure continuing compliance with best practice as set out in the CIPFA/SOLACE Framework and it recognises the importance of ensuring that such reviews are reported on both within the authority, to the Audit Committee and externally with the published accounts, to provide assurance that:

- corporate governance arrangements are adequate and operating effectively in practice; or
- where reviews of the corporate governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.

3.2 The authority will prepare an annual Governance Statement and is so doing recognises that the process of preparing the Governance Statement should itself add value to the authority's corporate governance and internal control framework. It will be submitted to the Audit & Governance Committee and the Council for consideration.

3.3 The Governance Statement will include the following information:

- an acknowledgement of responsibility for ensuring there is a sound system of governance, including in particular the system of internal control
- an indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide
- a brief description of the key elements of the governance arrangements
- a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of: the authority; the Executive; the Audit Committee; the overview and scrutiny function; the Standards Committee; internal audit and other explicit review/assurance mechanisms including risk management arrangements
- an outline of the actions taken, or proposed, to deal with significant governance and internal control issues.

3.4 The authority recognises that the Governance Statement should cover all significant corporate systems, processes and controls, spanning the whole range of the authority's activities, including in particular those designed to ensure:

- the authority's policies are implement in practice
- high quality services are delivered efficiently and effectively.
- the authority's values and ethical standards are met
- laws and regulations are complied with
- required processes are adhered to
- financial statements and other published performance information are accurate and reliable
- human, financial, environmental and other resources are managed efficiently and effectively.

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- 3.5 It will therefore cover performance issues – good governance promotes good service but poor service performance reflects a failure of governance.
- 3.6 It is accepted that approval and ownership of the Governance Statement should be at a corporate level and should be confirmed by the Chief Executive and Leader signing the statement on behalf of the authority.
- 3.7 In reviewing and approving the Governance Statement, Members will be provided with assurances on the effectiveness of the governance framework, and in particular the system of internal control, and how these address the key risks faced by the authority. Those assurances will be available from a wide range of sources, including internal and external audit, a range of external inspectorates and managers from across the authority. Management will provide the primary source of assurance. However, an effective internal audit function will also be a significant source of assurance.
- 3.8 The authority will strive to establish an assurance framework, embedded into its business processes, that maps strategic objectives to risks, controls and assurances. Such a framework will provide Members with assurances to support the Governance Statement on a structured basis, and will help Members to identify whether all strategic objectives and significant business risks are being addressed.

#### 4. RESPONSIBILITIES

4.1 Corporate governance and good governance is everyone's responsibility.

4.2 There are however a number of specific responsibilities in relation to the implementation, monitoring and review of the Code and activities associated with the production of the annual governance statement. These are outlined below.

4.3 **The Chief Executive and the Leader** will be responsible for:

- Championing and role modelling good governance, in the spirit of this Code.

4.4 **The Director of Governance / Monitoring Officer** will be responsible for:

- overseeing the implementation and monitoring of the Code;
- reviewing the operation of the Code and advising on any changes that may be necessary to maintain it and ensure its effectiveness in practice;
- preparing an annual Monitoring Officer's Report, which will also form part of the assurance required to be demonstrated in the annual Governance Statement.

4.5 **The Head of Governance & VFM** will be responsible for:

- undertaking an annual review of the Code, to provide assurance on the extent of compliance with it. Details of the extent to which the authority is complying with the Code will be included within the annual Governance Statement and the Corporate and Performance Plan.
- co-ordinating, throughout the year, the Council's governance assurances, including reporting regularly to the Audit & Governance Committee, and culminating in the annual Governance Statement .
- co-ordinating the production of an annual Governance Statement which will represent the overall levels of assurance within the Council on behalf of all Members and officers.

4.6 **The Chief Internal Auditor** will be responsible for:

- reporting annually to the Audit Committee on audit activities during the year, with particular emphasis on the systems of internal control and the arrangements for corporate governance, providing some of the assurance required in the annual Governance Statement.

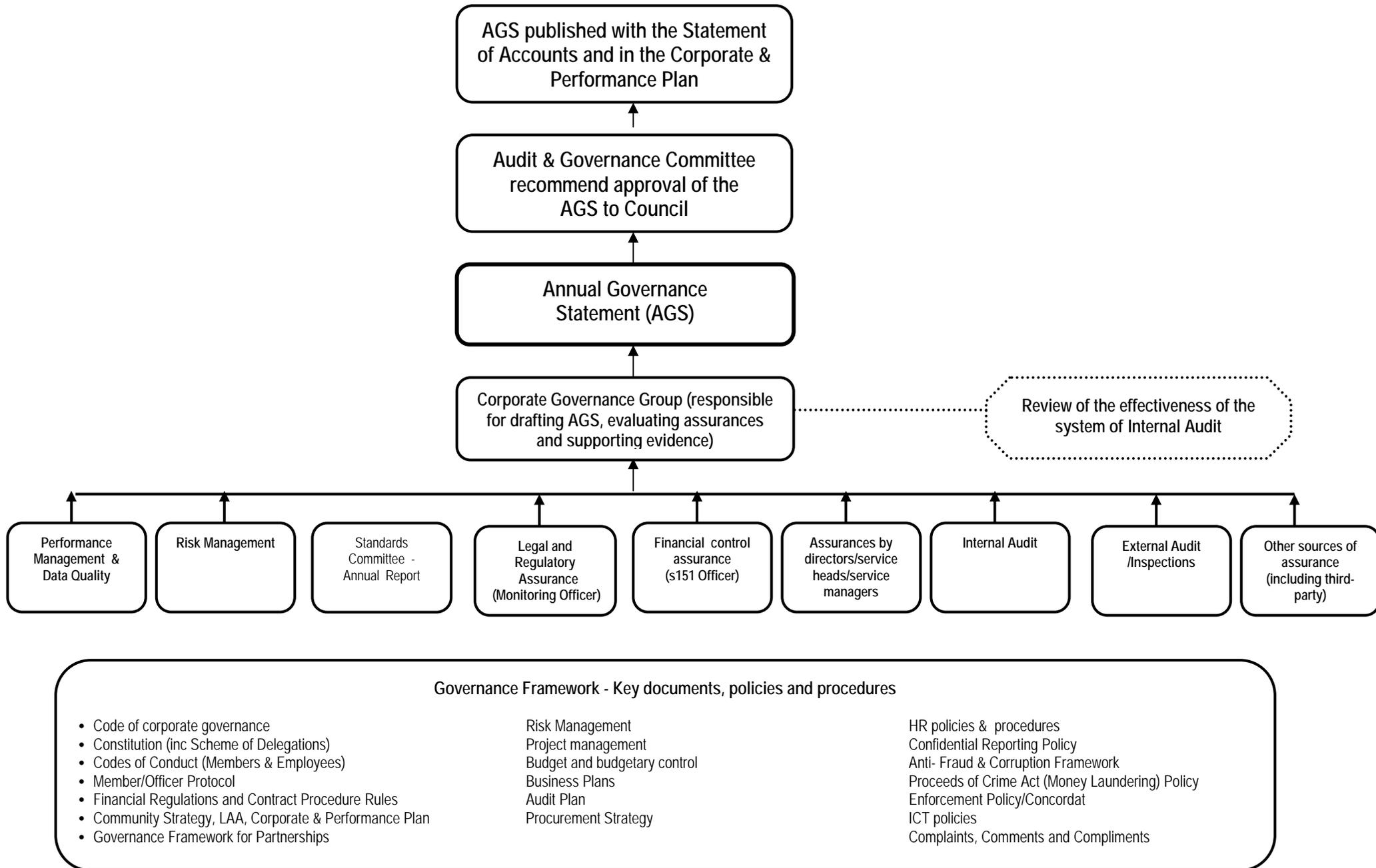
4.7 **The Head of Finance** will be responsible for:

- preparing an annual section 151 Officer's Report, which will also form part of the assurance required to be demonstrated in the annual Governance Statement.

**Glossary**

<b>Term</b>	<b>Explanation</b>
CIPFA	The Chartered Institute of Public Finance and Accountancy;
SOLACE	The Society of Local Authority Chief Executives and Senior Managers
Member	Elected councillor (including co-opted councillors)
Officer	Employee of the Council (including secondees)
Section 151 Officer	The statutory officer responsible for reporting on matters of financial compliance
Monitoring Officer	The statutory officer responsible for reporting on matters of legality
Constitution	The Council's rules and codes/protocols book
Standards Committee	The committee that hears cases of breaches of the Code of Conduct by Councillors
Audit & Governance Committee	The committee that observes and determines the adequacy of the audit and governance arrangements of the Council

# ANNUAL GOVERNANCE STATEMENT - ASSURANCE FRAMEWORK



Process for the Production and Approval of the Annual Governance Statement (AGS)

1. The sources of assurance needed for the production of the AGS are illustrated in the Assurance Framework given at Appendix B.
2. The key sources of assurance will include:
  - a. All Directors, Heads of Service and those Service Managers who report directly to a Director will be asked to sign an assurance statement.
  - b. The Monitoring Officer and s151 Officer will produce a report or assurance statement to inform the AGS.
  - c. The Chief Internal Auditor will produce an Annual Audit Report, which will include an opinion on the Council's governance arrangements.
3. A self-assessment is to be undertaken of compliance with the Code of Corporate Governance and this is to be considered by Directors' Management Team.
4. The results of the various sources of assurance will be used to produce the AGS.
5. The first draft of the AGS will be reality checked by the AGS working group, prior to submission to Directors' Management Team for consideration.
6. The final version of the AGS will be brought to Audit & Governance Committee for consideration in June. The Audit & Governance Committee will recommend approval of the AGS, or otherwise, to the Council alongside the Statement of Accounts.
7. The approved AGS will need to be signed by the Chief Executive and the Leader of the Council and will be published with the Statement of Accounts. It is also proposed to publish the AGS in the Corporate and Performance Plan.