

CORPORATE GOVERNANCE ASSURANCE FRAMEWORK

INTRODUCTION

1. Introduction to Corporate Governance

- 1.1 Corporate Governance came to prominence as an issue following the Cadbury Report in 1992. A series of reports from the Committee in Standards in Public Life (the Nolan Committee) addressed the issue of corporate governance in the public sector and identified seven principles of public life; selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 1.2 The Audit Commission subsequently defined corporate governance as “the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives”. They further identified good corporate governance as including robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public.
- 1.3 In 2001 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), jointly with the Local Government Association and the Audit Commission set up a Corporate Governance Working Party to draw together the principles identified by Cadbury, Nolan and others into a single framework of corporate governance for use by Local Authorities. The framework was issued by CIPFA/SOLACE in June 2007 and built on governance work in both the public and private sector, in particular the “Good Governance Standard for Public Services” drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management in partnership with the Joseph Rowntree Foundation.
- 1.4 The principles and standards set out in the framework are aimed at helping local authorities to develop and maintain their own codes of conduct and discharge their accountability for the proper conduct of business. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation.
- 1.5 The framework adopted six core principles from the Good Governance Standard for Public Services 2004 (developed by the Independent Commission on Good Governance in Public Services).
 - 1.5.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- 1.5.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - 1.5.3 Developing the capacity and capability of members and officers to be effective
 - 1.5.4 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - 1.5.5 Taking informed transparent decisions which are subject to effective scrutiny and managing risk
 - 1.5.6 Engaging with local people and other stakeholders to ensure robust public accountability
- 1.6 To ensure the Framework remains fit for purpose, the CIPFA/SOLACE Joint Working Group reviewed the Framework in 2012 and following consultation issued a revised guidance note and addendum in November 2012. These remain substantially the same as the original version but provide further guidance on the preparation of and content of the Annual Governance Statement which must accompany each authority's Statement of Accounts. The Framework note notes that the process of preparing the governance statement should itself add value to the effectiveness of the corporate governance and internal control framework of an organisation.

2. Code of Corporate Governance

- 2.1 To achieve good governance, the Council should be able to demonstrate that it has a Code of Corporate Governance that reflects the requirements for best practice outlined in the Framework.
- 2.2 The Code is reviewed every two years by the Strategy & Partnerships Scrutiny Committee.

FRAMEWORK AND SOURCES OF ASSURANCE

3. Requirement for an Annual Governance Statement

- 3.1 The preparation and publication of an annual governance statement is required to meet the statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011. This requires that the Council conducts a review at least once a year on the effectiveness of its systems of internal control and produces a statement on its effectiveness "in accordance with proper practices". The addenda to "delivering good governance framework" defines proper practice and defines the form and content of an annual governance statement. There remains no requirement to publish a separate statement on internal control but the system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level using a strategic approach.

- 3.2 In addition the Department for Communities and Local Government published the Fire and Rescue National Framework for England in July 2012. This set out a requirement for fire and rescue authorities to publish a statement of assurance to include assurance on a range of financial, governance and operational matters. Further guidance consulted on in late 2012 sets out that this statement should sit alongside existing documents such as the statement of accounts, and integrated risk management plan. It should be an accessible document which enables individuals, communities and partners to make a valid assessment of their local fire and rescue authority's performance. Fire and rescue authorities should aim to publish their statements of assurance annually to coincide with other statutory and reporting requirements. The first statement is required to be published in 2013 and annually thereafter.

The Council's Assurance Process

- 3.3 In November 2010 the Audit Committee approved a change to the Council's assurance process in order to reduce the administrative burden on Directorates whilst retaining a robust assurance process. The revised process requires a statement at the year end from the "corporate lead officer", for each of the key control areas listed below. Their statement explains the relevant systems that are in place to ensure internal control, and their assessment of the current position across the whole council, identifying areas for improvement where appropriate. The relevant corporate lead officer is shown in brackets after each control area.
- 3.3.1 Business Management (Research and Major Programmes Manager) – incorporates risk management, project management & performance management.
 - 3.3.2 Financial Management (Chief Finance Officer in consultation with delegated section 151 officers)
 - 3.3.3 Business Continuity (County Business Continuity Officer in consultation with the Business Continuity Steering Group)
 - 3.3.4 Legislation (Monitoring Officer in consultation with the Monitoring Officer's Group)
 - 3.3.5 Human Resources (Head of Human Resources in consultation with Human Resources Business Partners)
 - 3.3.6 Health & Safety (County Health & Safety Manager in consultation with Health & Safety Business Partners)
 - 3.3.7 Procurement/Contracts (County Procurement Manager and Deputy Chief Finance Officer)
 - 3.3.8 Information Technology (Service Manager - ICT)
- 3.4 The Corporate Governance Assurance Group monitor the appropriateness of these mechanisms.

- 3.5 Internal Audit provide an independent assessment of compliance with corporate processes for each Directorate.
- 3.6 Directors are required to review risk registers, corporate lead officers' assessments and Internal Audit's assessments, and to sign Certificates of Assurance annually to confirm that they have discussed the information contained in those documents, and to confirm that action is being taken to address any weaknesses identified.
- 3.7 Risk Registers, corporate lead officers' assessments on key control areas and Internal Audit's assessments are reviewed by the Corporate Governance Assurance Group (CGAG), a group of Senior Officers, Chaired by the Monitoring Officer. Where the same weakness has been identified across a number of directorates, specific consideration will be given to treating this as a corporate issue. Where specific action may need to be taken to address the weakness, it will be contained in the action plan contained within the Annual Governance Statement. On preparation, the Annual Governance Statement together with progress on the identified action plan within the Statement is reported quarterly to the Audit Working Group. The Annual Governance Statement is compiled by members of CGAG drawing on the following information:
 - 3.7.1 Risk Registers compiled by Deputy Directors and endorsed by Directors
 - 3.7.2 Statements provided by corporate lead officers for key control areas as described in paragraph 3.3 above
 - 3.7.3 The view of Internal Audit
 - 3.7.4 The view of the External Auditor as contained within the Annual Audit letter and other Audit Reports
 - 3.7.5 Reports by independent inspection bodies
 - 3.7.6 Work undertaken by and for the Audit & Governance Committee and Audit Working Group
 - 3.7.7 An assessment of the effectiveness of the Chief Finance Officer compared to the requirements set out in "The role of the Chief Financial Officer in public sector organisations" published by CIPFA.
- 3.8 In addition to the review of the system of internal control and its effectiveness CGAG also carries out a bi-annual review of the governance framework as set out in the Council's Code of Corporate Governance and considers the effectiveness of the framework.
- 3.9 The Council's Annual Governance Statement is signed by the Chief Executive, Leader of the Council, Chief Finance Officer and Monitoring Officer. The Fire and Rescue Statement is signed by the Chief Fire Officer and Cabinet member for Safer and Stronger Communities and sits alongside the Council's Statement.

4. External Audit

- 4.1 The Council's external auditors undertake an annual audit of the financial statements and Annual Governance Statement in order to be satisfied that the accounts comply with statutory requirements, that proper practices have been observed in compiling the accounts and to express an opinion on the statement of accounts.

5. External Inspections

- 5.1 The council receives external reports that can provide assurance or indicate any issues related to internal control and governance. The council no longer receives an annual summary of these reports from the Audit Commission but an overview of the inspections and reports during the year is included in the Annual Governance Statement. This is based on feedback from Directorates and a review of reports available on inspection body websites.
- 5.2 The relevant Portfolio Holder is briefed by the relevant Directorate on inspections taking place and the outcomes of those inspections. Some inspections will specify that the Cabinet need to consider the report.
- 5.3 Since most inspections are now ad – hoc CGAG will maintain an overview of external inspections and reports throughout the year; reporting any governance issues to the Audit and Governance Committee at the earliest opportunity. Directors should include feedback on any inspections in their briefings to the relevant Scrutiny Committee(s). All external inspection reports will be monitored by the Policy Team as part of the directorate Quarterly Performance Reporting process. Any governance issues arising will be reported to CGAG by the Research and Major Programmes Manager.

6. Approval of Corporate Governance Policies

- 6.1 On 16 June 2004 Cabinet authorised the Monitoring Officer, following consultation with the Section 151 Officer and Leader and Deputy Leader of the Council, to approve new or amended operational policies and procedures relating to Corporate Governance except where they would either:

6.1.1. have material budget implications;

6.1.2. have substantive policy implications; or

6.1.3. where material concerns about them have been expressed by the employee's representatives;

in which case they would be referred to Cabinet for decision.

DEFINITIONS OF OFFICERS, COMMITTEES AND GROUPS

7. Statutory Officers

7.1 Head of Paid Service

7.1.1 The Head of Paid Service has responsibility to the Council for the manner in which the Council's functions are discharged and coordinated. In addition she has the responsibility for the number and grade of Officers required for the discharge of the functions and the organisation of Officers.

7.2 Chief Finance Officer (section 151 Officer)

7.2.1 Section 151 of the Local Government and Housing Act 1972 requires every authority to "make arrangements for the proper administration of their financial affairs" and to ensure that "one of their officers has responsibility for the administration of those affairs".

7.2.2 The section 151 officer is responsible for ensuring that:

7.2.1 expenditure by the authority is within the law;

7.2.2 the authority does not undertake an unlawful action which would result in a loss or deficiency to the authority;

7.2.2 the authority's accounts are prepared in accordance with the law and have followed proper accounting practices;

7.2.3 effective financial controls are in place;

7.2.4 ensuring that there is an adequate and effective system of internal audit.

7.2.3 The role of the Chief Finance Officer for Public sector organisations is also described in the CIPFA document "The role of the Chief Financial Officer in Public Sector Organisations". This sets out that they also lead the promotion and delivery of good financial management so that public money is used safeguarded at all times and used appropriately, economically, efficiently and effectively. A statement about the extent to which the authority complies with this role needs to be included in the Annual Governance Statement.

7.3 Monitoring Officer

7.3.1 The Monitoring Officer has the statutory responsibility for independently reporting to the Council on any proposal or decision by the Council or any of its Committees or Officers which has given rise to or may give rise to a breach of the law or potential maladministration. The Monitoring Officer also plays a leading role in developing, monitoring

and maintaining a system of corporate governance for the Council and in particular:

- 7.3.1 ensures that satisfactory arrangements are in place for maintaining the registers for Members registration of interests and gifts and hospitality in accordance with the Members code of Conduct.
- 7.3.2 conducts an annual review of the effectiveness of the internal audit function in accordance with the requirements of the Accounts & Audit Regulations 2011.
- 7.3.3 ensures relevant corporate governance policies are up to date, including:
 - The Council's Constitution
 - Anti-Fraud and Corruption Policy
 - Raising Concerns At Work, Grievances and Whistleblowing Policies
 - Money Laundering Policy
 - Officer Code of Conduct
 - Corporate Complaints Policy
 - Officer Register of Interests and Gifts and Hospitality

7.4. Monitoring Officer Group

7.4.1 This Group consists of key Officers involved in the provision of Committee Services for Members and reviews on a regular basis the business conducted by the Council, Cabinet, Committees and other Member Meetings. It supports the Monitoring Officer in his monitoring role, particularly in relation to standards, complaints and to monitor the lawful decision making of the Council.

7.5. Chief Internal Auditor

7.5.1 This person is the Senior Officer directly responsible for the Internal Audit function. Internal Audit is an assurance service that provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating the effectiveness in achieving the organisation's objectives. It provides an annual independent assurance to the Chief Finance Officer on the key financial system controls as set out and contained in the Annual Internal Audit Plan. The Chief Internal Auditor also contributes to the Annual Governance Statement by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment of the Council.

7.6. Strategy & Partnerships Scrutiny Committee

7.6.1 The role of the Strategy and Partnerships Scrutiny Committee is set out in Article 7 of the Constitution. The key roles of the Committee include holding the executive to account together with policy development and review and business management. The responsibilities of the Committee include Corporate and Community leadership and corporate strategies.

7.7. Audit & Governance Committee

7.7.1. As set out in Article 8 of the Constitution the focus of the Audit & Governance Committee is to monitor the risk, control and governance arrangements within the Council, together with the adequacy of those arrangements and those of others managing Council resources and to ensure compliance with relevant legislation, guidance, standards, codes and best practice. The Audit & Governance Committee needs to provide assurance on the effectiveness of those arrangements both generally and for the purposes of the Annual Governance Statement, including arrangements for reporting significant risks.

7.7.2 The Audit & Governance Committee will receive reports on progress in achieving the actions set out in the previous year's Annual Governance Statement and on the current year position.

7.7.3 The Audit & Governance Committee is responsible for separately approving the Council's Annual Governance Statement for inclusion within the Statement of Accounts.

7.8. Audit Working Group

7.8.1 The Audit Working Group receives updates on significant risks, progress with action plans and reports on the assurance process itself. It may call for further detailed information on any matter of concern, including interviewing individual officers where appropriate.

7.8.2 The Audit Working Group also carries out detailed work referred to it by the Audit Committee.

7.8.3 The Chairman of the Audit Working Group provides an independent assessment of the effectiveness of the assurance process, set out within the Annual Governance Statement.

7.9. Corporate Governance Working Group

7.9.1 This Group was originally created to assist the Monitoring Officer in raising awareness of the importance of corporate governance throughout the Authority. The principal focus of the Group is to review and update Corporate Governance Policies and to monitor implementation of these by the Council. It has responsibility for reviewing the Local Code of Corporate Governance and to hold Officer

to account for compliance with the implementation of the Corporate Governance arrangements.

7.10. Corporate Governance Assurance Group

7.10.1 The Corporate Governance Assurance Group oversees the assurance framework including the process for assurance from corporate lead officers. The Group is made up of senior corporate officers, chaired by the Monitoring Officer, who are responsible for the determination and coordination of the Corporate Governance Framework and the process and the production of the Annual Governance Statement. The Group provides corporate challenge and advice to Directorates on Governance. Further details are given in Annex 1.

7.11. Standards of Behaviour and Codes of Conduct

7.11.1 The Localism Act 2011 received royal assent in November 2011 and led to the abolition of the standards regime. Each council is now required to adopt local Codes of Conduct for members and officers and must have arrangements in place to investigate complaints made against members. Standards are now within the terms of reference of the Audit & Governance Committee with the work relating to standards being undertaken by a small advisory group led by the Monitoring Officer.

Responsible Officers:

Peter G Clark, Monitoring Officer and Head of Law & Governance
Sue Scane, Assistant Chief Executive & Chief Finance Officer

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Review: January 2014

Overview of Corporate Governance Assurance Framework

