

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive & Town Clerk

to

Audit Committee

on

30th March 2011

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Local Code of Governance: Annual Review

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the updated Local Code of Governance (the Code) to the Audit Committee.

2. Recommendations

- 2.1 **That the refreshed Local Code of Governance be recommended to Cabinet for approval.**
- 2.2 **Once approved, that the Constitution is updated.**

3. Background

- 3.1 In order to comply with good practice guidance, the Council:
- sets out its governance arrangements in the Code; and then
 - publishes an annual Governance Statement on the effectiveness of this internal control framework.
- 3.2 The governance framework established by the Council is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes. Most crucially, it reinforces the doctrine that good governance relates to the whole organisation.
- 3.3 The Audit Committee's work programme is structured so that it receives sufficient information to satisfy itself of the robustness of these arrangements. It then gives a view within its annual report on whether the Governance Statement reflects the Council's arrangements for the financial year being reported upon, before recommending its adoption to Council.
- 3.4 External Audit considers whether the Governance Statement reflects its understanding of the Council's arrangements when auditing financial statements.

3.5 The Council's current Code reflects this guidance and is reviewed annually to ensure it is still fit for purpose.

4. Proposal

4.1 In previous years, the Code's Appendices 1 and 2 have defined:

- the key business management processes, the lead officer for each area and the documents that set out how each process should operate
- the key actions required to ensure that the corporately agreed approach for each process is:
 - fit for purpose and periodically reviewed / updated
 - approved by appropriate officer and member groups
 - monitored in terms of its delivery.

4.2 This has otherwise been known as the Annual Assurance Statement.

4.3 The revised Code now more clearly sets out the approach the Council is going to apply to obtain assurance that it operates in a manner that delivers its core governance principles (as set out in the CIPFA / SOLACE: Delivering Good Governance in Local Government - Framework). These arrangements bring together a framework of legislative requirements, governance principles and management processes that the Council defines as its business management arrangements.

4.4 Therefore both these appendices have been removed from the Code. Appendix 1 now just summarises how the assurance framework fits together. As the Code in this format is less like to change year on year, the intention is to review it every other year instead of annually going forward.

4.5 The report *Managing the Business: How do we get assurance?*, which is also on the agenda, outlines how the appendices removed from the Code are going to be developed into a core element of the Council's future assurance framework.

5. Corporate Implications

5.1 Contribution to Council's Vision & Corporate Priorities

Operating robust governance arrangements contributes to the delivery of all Council aims and priorities.

5.2 Financial Implications

None

5.3 Legal Implications

Accounts and Audit Regulations 2003 paragraph 4(2) states that:

"...The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices..."

Proper practice in this sense is defined as guidance issued by the relevant professional body. The CIPFA / SOLACE Framework:

- sets out how local authorities can review their governance arrangements; and
- contains the currently recommended Governance Statement template.

Therefore compliance with the Framework satisfies the requirements of the Accounts and Audit Regulations 2003.

5.4 People Implications

None

5.5 Property Implications

None

5.6 Consultation

The relevant stakeholders have been consulted.

5.7 Equalities and Diversity Implications

None

5.8 Risk Assessment

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities will not be delivered.

5.9 Value for Money

None

5.10 Community Safety Implications

None

5.11 Environmental Impact

None

6. Background Papers

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities

- The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.
- The Accounts and Audit Regulations 2003
- The Accounts and Audit (Amendment) (England) Regulations 2006

7. Attachment:

Local Code of Governance