

ITEM

ITEM

Audit Committee – 8th September 2009

UPDATE ON THE COMPLIANCE REVIEW OF THE CODE OF CORPORATE GOVERNANCE

Report of the Strategic Director (Resources) and Monitoring Officer

Statutory Powers: Section 111 Local Government Act 1972, and Accounts and Audit (Amendment) (England) Regulations 2006.

Financial Implications: None: within existing budgets.

Purpose

The purpose of this report is to inform Members of the progress being made on the issues identified by the compliance review of the 2008 Code of Corporate Governance reported at the April 2009 joint Audit and Standards Committees.

Link to ‘Aim and Priorities’: CP6 Improve core service performance in a cost-effective way.

RECOMMENDATION

That the Audit Committee note the progress made against the action plan produced by the Compliance Review of the Council’s Code of Corporate Governance 2008 reported to members at the April 2009 Committee.

Background

Corporate Governance

1. The ‘Good Governance Standard for Public Services’ sets out six core principles it says should underpin the governance arrangements of all bodies and which form the basis of the Council’s 2008 Code of Corporate Governance:
 - Focusing on the purpose of the Council 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 Council 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; and
 - Engaging with local people and other stakeholders to ensure robust public accountability.

2. Supporting each of the six principles is a series of supporting principles, each of which in turn translates into a range of specific requirements of the Council under the Code.
3. It was approved by the Executive on behalf of the Council at their meeting of 29th May 2008.

Discharging Responsibilities under the Code Including Monitoring

4. The Code of Corporate Governance sets out the requirement for it to be monitored and tested for compliance on an annual basis.
5. It states that the subsequent report with an action plan for significant governance issues will be presented to the **Audit Committee** whose Terms of Reference include '*to monitor the effective development and operation of risk management and corporate governance in the Council*'; and, the **Standards Committee** who are charged to '*promote and maintain effective processes for governance issues, including the receipt of an annual review of the Council's Code of Corporate Governance and approval of any action plan arising from the review*'.

Annual Governance Statement

6. The results of the annual review described above must be reflected in the Council's Annual Governance Statement (AGS) with the annual published accounts. They were considered and the action plan approved at the joint meeting of the Audit and Standards Committees in April 2009.
7. The AGS itself was the subject of a separate report to the Audit Committee (June 2009) whose role is to review the Statement and supporting evidence provided and if satisfied recommend approval of the AGS to the Council. The Council
8. The following gaps in the governance arrangements were reported and were taken to the Council's AGS as required under the guidance:

Gaps Reported for Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Compliance Review Findings for this Principle	Action Plan with Responsible Officer & Target Date
<p>There is no formal guidance for officers on the day to day management of a partnership including governance issues. A revised draft Partnership Working guidance document is being circulated to relevant officers prior to presentation for adoption.</p>	<p>Strategic Director (Community) 31 May 2009</p>
<p>The Council's Consultation Strategy 2003-2006, which appears on the Council's web-site is out of date and therefore needs review.</p>	<p>Head of Improvement 31 May 2009</p>
<p>Although individual parts of the Constitution have been reviewed and updated, there has been no overall review for at least two years and it was noted that two Articles overlapped in the responsibility of the related Member bodies.</p>	<p>Monitoring Officer 31 May 2009</p>

Progress on Principle 2 Action Plan at 14th August 2009

Guidance for the Management of Partnerships

9. A Partnership Policy and Guidance document was drafted and presented to the Executive in May 2009, who resolved that it be revised in consultation with the Executive Member with responsibility for Value for Money. This work is close to completion and the revised draft document is to be presented to the September 2009 Executive for approval (AGS date will be revised from 31.07.2009 to 30.09.2009).

Consultation Strategy

10. Cleared – removed from the Internet and as the document has been replaced by the Community Involvement Policy.

Review of the Constitution

11. The 27th May 2009 Standards Committee recommended that that the Council make no major changes to the executive arrangements for the Council and approve the minor amendments to Parts 1 and 2 of the Constitution. This was approved by Council on 25th June (minute 20/09 (d) refers)
12. A thorough review of the remainder of the Constitution will be carried out (if appropriate) when the general uncertainty caused by the current review of local government arrangements in Devon has passed. A revised date of 30 September was agreed by members in the June AGS report. A report upon a “light touch” review that has been carried out by officers will be reported to Standards Committee on 22nd September when the likely recommendation will be that statutory provisions be updated to those currently in force, and other minor updates carried out, but that no major changes (such as the transfer of functions between bodies) is necessary for the time being.

Gaps Reported for Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Compliance Review Findings for this Principle	Action Plan with Responsible Officer & Target Date
There is no formal mechanism for the reporting of partnership activity to either Members or senior officers.	Strategic Director (Community) 31 May 2009

Progress on Principle 3 Action Plan at 14th August 2009

Reporting of Partnership Activity

13. Reporting of partnership activity has been included in the Guidance for the Management of Partnerships described in paragraph 9 above.

Gaps Reported for Principle 5: Developing the capacity and capability of Members and officers to be effective.

Compliance Review Findings for this Principle	Action Plan with Responsible Officer & Target Date
There is no formal development plan for Members beyond the Induction Programme, although training is identified and provided. DIP is working on a Member Development Programme for all of the Devon Councils but completion of this has been delayed by the influence of LGR.	Head of Corporate Services. 31 October 2009

Progress on Principle 5 Action Plan at 14th August 2009

Member Development Programme

14. Progress has been made on member development as follows:

- A politically balanced Member Development Steering Group has been formed and has met for the first time when the group's terms of reference were agreed.
- The next meeting is to take place on 3rd September 2009 and is expecting to consider an updated draft Strategy document. It is planned for the draft Member Development Strategy to then be presented for approval at the Council meeting on 29 October 2009; and
- A Member Survey has been compiled for completion. Currently, the survey is in draft form and has been sent to the Steering Group for its comments before re-consideration at the September Group meeting and its final endorsement for roll-out to the wider membership thereafter.
- Meanwhile there were well-attended training sessions for all members on Development Control and the Code of Conduct on 29th and 30th July. Additional sessions are programmed between now and October.

Risk Assessment

Opportunity	Issues / Obstacles	Benefits/Mitigated by
The Council will be able to readily demonstrate to stakeholders and inspectors that the principles of Corporate Governance are being adhered to.	The Council may choose not to adopt a Code of Corporate Governance; or It is generally known that the Council complies with the concept so need not bother formalising the process.	Adoption of the Code of Corporate Governance enables the Council to formally demonstrate that it committed to good governance: doing the right thing, for the right people, in the right way.

<p>The adoption of the Code of Corporate Governance, written in line with the CIPFA/SOLACE framework and guidance will make it possible to readily monitor compliance.</p>	<p>The Council may not be able to readily demonstrate to stakeholders and inspectors that the principles of Corporate Governance are being adhered to.</p>	<p>Adoption of the Code of Corporate Governance, written in line with the CIPFA/SOLACE framework and guidance.</p>
<p>Monitoring compliance of the Code of Corporate Governance will provide assurance to stakeholders that the Council has no significant governance issues. The results of the review will feed the Annual Governance Statement (AGS) process.</p>	<p>Risk that if the Corporate Governance process is not formalised and brought together, some aspects may fall by the wayside, and stakeholders will not gain assurance that the Council is well governed. The Council may not approve the AGS or the Leader and Chief Executive be able to sign because issues are identified.</p>	<p>The compliance review of Corporate Governance is carried out annually and the results considered in open session by the Audit and Standards Committee. The Annual Governance Statement will include an action plan to address any issues identified by the compliance monitoring of Corporate Governance, and will be reviewed by the Council's external auditors and inspectors.</p>

Conclusion

15. The Accounts and Audit (Amendment) (England) Regulations 2006 have changed the requirements for the Council to produce an annual Statement on Internal Control with its published accounts. The revised version is extended to include governance and is to be known as the Annual Governance Statement.
16. CIPFA/SOLACE has issued guidance to local authorities to enable them to update their Code of Corporate Governance, to link with the new Statement and a revised version has been adopted on behalf of the Council by the Executive at their May 2008 meeting.
17. Overall responsibility for Governance rests with the Council, but monitoring of compliance with the Code is carried out on its behalf by the S.151 Officer, Monitoring Officer and Internal Audit Manager reporting annually to the Audit and Standards Committees.
18. The result of the compliance review was generally satisfactory with only a small number of gaps identified against 3 of the 6 Principles. These findings have been taken to the Annual Governance Statement, and this paper demonstrates that progress is being made against the related action plan.

Allan Goodman
Internal Audit Manager

Audit Committee
8th September 2009

Delyth Jenkins-Evans
Monitoring Officer
Mark Seymour
Strategic Director (Resources)

Report Appendices

- Appendix A – Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- Appendix B – Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Appendix C – Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Appendix D – Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Appendix E – Principle 5: Developing the capacity and capability of Members and officers to be effective; and
- Appendix F – Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

Background Documents

CIPFA/SOLACE (2007) Delivering Good Governance in Local Government - Framework
CIPFA/SOLACE (2007) Delivering Good Governance in Local Government – Guidance Note for English Authorities
Accounts and Audit (Amendment) (England) Regulations 2006
Independent Commission on Good Governance in Public Services (2005): The Good Governance for Public Services
CIPFA/SOLACE document, *Corporate Governance in Local Government*,
Corporate Governance in Local Government: A Keystone for Community Governance: CIPFA (2001)

Reference(T:\.....\.....\.....doc)