

REPORT TO: THE MORAY COUNCIL ON 26 MARCH 2008

SUBJECT: LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2007/08

BY: CHIEF EXECUTIVE

1. REASON FOR REPORT

- 1.1 This report presents the implications of carrying out a new Annual Governance Review following the publication of an updated CIPFA / SOLACE governance framework. The two key issues are –
- a) The need to revise our Local Code of Corporate Governance
 - b) Considering the methodology to carry out a wider governance review to meet the requirements of the new framework.
- 1.2 This report is submitted to Committee in terms of Section 1(12) of the Council's Administrative Scheme relating to affairs of a corporate nature.

2. RECOMMENDATIONS

- 2.1 The Council is asked to:-
- a) Review the contents of the revised Local Code
 - b) approve the adoption of the revised Local Code subject to any amendments which might be required, and
 - c) approve the review process for carrying out the Annual Governance review.

3. BACKGROUND

- 3.1 Several years ago the Council adopted a Local Code of Corporate Governance based on joint guidance from CIPFA and SOLACE (Society of Local Authority Chief Executives). The framework of systems and processes related to the key principles detailed in the Code have been reviewed and reported annually through the Council's Corporate Governance Statement.
- 3.2 In 2007, CIPFA / SOLACE published an updated framework entitled 'Delivering Good Governance in Local Government'. This framework was based on principles developed by the Independent Commission on Good Governance in Public Services and was accompanied by guidance notes applicable to England and Wales. The Council committed last year to reviewing our current Code of Corporate Governance as it is outdated. While guidance for Scottish Councils is outstanding it is expected to follow very shortly and in similar terms to the English guidance.
- 3.3 It is proposed to review and update the Council's Local Code based on the above guidance and review the methodology for reviewing the Council's code and its systems of governance.

3.4 To assist Members, the remainder of the report attempts to provide some context around Corporate Governance and what it means to the Moray Council under the following headings:

- What is the scope of responsibility for the Council in terms of its governance framework?
- What is the purpose of the governance framework?
- What systems and processes does the review of governance cover?
- Who is involved in the annual review process and how is the Annual Governance Statement produced?

What is the scope of responsibility for the Council in terms of its governance framework?

3.5 The Council 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.

3.6 It has a legal duty to make arrangements to deliver best value and secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3.7 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

What is the purpose of the governance framework?

3.8 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it is accountable to, engages with and leads the community.

3.9 It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

3.10 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives.

3.11 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and, to manage them efficiently, effectively and economically.

- 3.12** One of the intentions of the Framework document produced by CIPFA / SOLACE was to provide Councils with best practice for developing and maintaining a local code of governance.
- 3.13** The Council's revised 'Draft' Code attached to this report at **Appendix 1** consists of a single page recording:

The Council's definition of Corporate Governance.
The key principles of Corporate Governance adopted.
Compliance with the Code (review & reporting).

- 3.14** A review of the system of internal control / governance is completed annually (**see Appendix 2**) and the evidence from this review is used to prepare a public statement. From 2007/08 onwards, the preparation of an 'Annual Governance Statement' will comply with the requirements of CIPFA's Code of Practice on Local Authority Accounts - Statement of Recommended Practice.

What systems and processes does the review of governance cover?

- 3.15** It covers all significant corporate systems, processes and controls, spanning the whole range of Council activities, including in particular those designed to ensure :-
- Council policies are implemented;
 - Quality services are delivered efficiently and effectively;
 - Council's values and ethical standards are met;
 - Compliance with laws and regulations;
 - Financial statements and other published performance information are accurate and reliable;
 - Human, financial, environmental and other resources are managed efficiently and effectively.

Who is involved in the annual review process and how is the Annual Governance Statement produced? (Appendix 3)

- 3.16 The review is led by the Chief Legal Officer but requires the involvement of Members and Managers who have a leadership role in the Council.
- 3.17 The Audit and Performance Review Committee will oversee the process and will be supported by reviews by the Service Development Group, Corporate Management team and senior managers within the Council who will have an opportunity to comment on the effectiveness of the systems of governance.
- 3.18 Evidence will be collected from the systems and processes within the Governance and Assurance frameworks including self assessment by managers of their own functions.
- 3.19 Issues identified from the review will be categorised by their significance and relevant issues will be included within the statement.
- 3.20 The Annual Governance Statement will be produced for consideration by the Audit and Performance Review Committee in June 2008 and is formally adopted when the Annual Accounts are approved by the Council.
- 3.21 The Convener of the Council and Chief Executive sign the Governance Statement.
- 3.22 An Action Plan will be produced for any significant issues recorded in the Annual Governance Statement. The implementation of actions will be monitored by the Audit and Performance Review Committee.
- 3.23 The Council's External Auditors will examine the methodology adopted by the Council to complete the review and also consider the completeness of the disclosures in the Governance Statement. Their objective is to identify any inconsistencies between the recorded disclosures and the information / evidence they have collected during their work on the financial statements and annual audit.

4 SUMMARY OF IMPLICATIONS

- 4.1 **Corporate Development Plan/Community Plan/Service Improvement Plan**
Good governance is essential to the successful delivery of effective public services both within the Council and in conjunction with our community planning partners

4.2 **Policy and Legal**

The Council has legal duties as summarised at 3.5 and 3.6 of this report which require that an appropriate Corporate Governance Framework is approved.

4.3 **Resources (Financial, Risks, Staffing and Property)**

There are no direct financial, staffing or property implications relevant to this report. From a risk perspective, it is important that the Council ensures that its business is conducted in accordance with the law and proper standards. Staff at various levels across the Council will require to contribute to the review process and inform the governance report.

4.4 **Consultations**

The views of the Corporate Management Team, senior managers and the Service Development Group have been sought in the preparation of this report.

5 CONCLUSION

- 5.1 Complying with a comprehensive Local Code of Corporate Governance will assist the Council and its Services to demonstrate that the organisation is “doing the right things, in the right way for the right people” in an open, honest and timely manner.

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Background Papers:

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