

COMMITTEE: AUDIT AND GOVERNANCE

DATE: 11 DECEMBER 2007

SUBJECT: LOCAL CODE OF CORPORATE GOVERNANCE

REPORT BY: HEAD OF AUDIT

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IMPLICATIONS:

LEGAL

COMMUNITY

SAFETY

EQUALITIES

ENVIRONMENT

FINANCIAL

RISKS

STAFFING

OTHER

WARDS AFFECTED: NONE

PURPOSE

- 1 For the Audit and Governance Committee to approve a revised Local Code of Corporate Governance.

RECOMMENDATIONS

- 2 **The Committee approves the revised Local Code of Corporate Governance**

BACKGROUND

- 3 Corporate Governance is the term used to describe the system by which local authorities direct and control their functions and relate to their communities. It is about how local government bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and culture and values, by which local government bodies are directed and controlled and through which they account to, engages with and, where appropriate, lead their communities.
- 4 The current local Code of Corporate Governance for Luton Borough Council is consistent with the principles and reflects the requirements of the Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework in their document, Corporate

Governance in Local Government: A Keystone to Community Governance. This document has been updated to account for changes in regulations and to bring together the underlying set of legislative requirements, governance principles and management processes. Most crucially, however, is the doctrine that good governance relates to the whole organisation.

In April 2006, amendment regulations to the Accounts and Audit Regulations (England) 2003 had a further effect on the compilation of the SIC for English authorities. Statutory Instrument 564/2006 came into force on 1 April 2006 and took effect from the 2006/07 financial reporting year (i.e. effective with the 2006/07 SIC statement).

Circular 03/2006 has real significance for local authorities as it clears the way for the Annual Governance Statement to be assigned proper practice status and therefore have statutory backing. CIPFA has also confirmed that such status was assigned to the AGS from 1 April 2007, meaning that it will formally replace the SIC for the 2007/08 reporting year.

REPORT

- 5 The attached revised Local Code of Governance accounts is based on the CIPFA/SOLACE Governance Framework 2007. It takes into account the various legislative changes and amendments. It is a key document that links in with Accounts & Audit Regulations 2003. There is now the requirement for an Annual Governance Statement (AGS) instead of a Statement of Control but this will form part of the AGS. There is also the requirement of an annual review of the effectiveness of the system of internal audit.
- 6 The Framework details six core principles
 - Focusing on the purpose of the authority and the outcomes for the community – creating and implementing a vision of the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and goals
 - Promoting values for the authority and demonstrating the values of good governance
 - 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
 - Engaging with local people and other stakeholders to ensure robust public accountability

The Framework also identifies five aspects of the Council's business that should be covered by the Code:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk Management & Internal Control
- Standards of Conduct

The revised Code accounts for these and records how they will be achieved.

- 7 To fully implement the revised code an action plan will be developed by the Risk and Internal Control Group. The Head of Internal Audit will provide a written annual report to the Audit and Governance Committee on the operation of the code. There will also be a review of the effectiveness of the system of internal audit to help ensure that the opinion in the annual report by the Head of Internal Audit may be relied upon as a key source of evidence in the AGS.
- 8 There is a new theme of internal Control for the 2008 Use of Resources inspection. To gain level 2 there must be:-
 - Annual review on the effectiveness of Government framework. Council reports on this in its AGS
 - Sources of assurance to support AGS have been identified and reviewed by officers/members
 - Action plans in place to address any significant governance issues reported in AGS
 - Identification of significant partnerships and that appropriate governance arrangements are in place for them.

To maintain our current level 3 the Council must have an assurance framework that maps strategic objectives to risks, controls and assurances and provides members with information to support the AGS.

The implementation of the revised Code will help achieve these.

RISK IMPLICATIONS

- 9 There are no risk implications to this report other than those set out in the body of the report.

LEGAL IMPLICATIONS

- 10 There are no legal implications to this report other than those set out in the body of the report and this has been agreed with Richard Stevens, Head of Legal Services on 28 November 2007.

FINANCIAL IMPLICATIONS

- 11 There are no financial implications to this report other than those set out in the body of the report and this has been agreed with Dave Kempson, Head of Corporate Finance on 28 November 2007.

APPENDIX

- 12 Appendix A – Revised Local Code of Governance.

LIST OF BACKGROUND PAPERS

LOCAL GOVERNMENT ACT 1972, SECTION 100D

- (A) CIPFA/SOLACE Governance Framework 2007
(B) Accounts and Audit Regulations (England) 2003 (as amended).