

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 17 November 2010
Report of: Head of Internal Audit & Compliance and Borough Solicitor
Title: Code of Corporate Governance

1.0 Report Summary

- 1.1 The purpose of the report is to gain approval for the attached Code of Corporate Governance that has been revised to take account of the Chartered Institute of Public Finance and Accountancy (CIPFA)'s *'Application Note to Delivering Good Governance in Local Government: a Framework'*.

2.0 Recommendation

- 2.1 That the attached Code of Corporate Governance be adopted by the authority and used as a basis for self-assessment, continuous improvement and as a contributor to producing the Annual Governance Statement.

3.0 Reasons for Recommendation

- 3.1 Following extensive research and consultation, the CIPFA/SOLACE Joint Working Group issued *Delivering Good Governance in Local Government: Framework* and accompanying guidance note in 2007. The Framework urged local authorities to develop and maintain an up to date local code of governance. Consequently, the principles and standards set out in the Framework were used to develop and maintain Cheshire East's Code of Corporate Governance which was approved in November 2009.
- 3.2 In June 2009, CIPFA launched its *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. In the Statement, CIPFA recommends that organisations should use the Statement as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management.

- 3.3 CIPFA has subsequently issued its *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Statement builds heavily on CIPFA's *Role of the Chief Financial Officer in Public Services* and applies the principles and roles set out in that document to local government. In March 2010 CIPFA issued an Application Note to provide advice on the application of the *Statement on the Role of the Chief Financial Officer in Local Government* under the current CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 3.4 In order to implement the recommendations contained within the Application Note the Council's Code of Corporate Governance (Appendix A) has been revised to include the additional/expanded governance requirements from the CFO Statement (shown in italics).
- 3.5 In approving the amendments to the Council's Code of Corporate Governance the Committee should be aware that the Application Note is intended to be a temporary measure that will operate for the financial years 2009/10 and 2010/11 during which time a full review of the CIPFA/SOLACE Framework including consultation will be carried out. Therefore a further amendment to the Council's Code may be required following the release of CIPFA's updated framework.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications including – Climate Change – Health

- 6.1 Not applicable.

7.0 Financial Implications

- 7.1 There will be a need to make staff aware of the code and to review the effectiveness of the Corporate Governance arrangements. Some training costs and staff resources may be necessary to promote the changes to the framework and this will be coordinated by the Corporate Governance Group.

8.0 Legal Implications

- 8.1 In England, the preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 which requires authorities to “conduct a review at least once in a year on the effectiveness of its systems of internal control” and to prepare a statement on internal control “ in accordance with proper practices”.

9.0 Risk Assessment

- 9.1 Adoption of the code assists the overall response to a number of risks relating to adherence to good governance standards and the need to demonstrate effective governance.

For further information:

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Background Documents:

Delivering Good Governance in Local authorities CIPFA/SOLACE 2007

Application Note to Delivering Good Governance in Local Government: a Framework CIPFA/SOLACE 2010