

Addendum to Delivering Good Governance in Local Government: a Framework

Consultation Draft

August 2012

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

SOLACE (the Society of Local Authority Chief Executives and Senior Managers) is the representative body for senior strategic managers working in the public sector. The Society promotes public sector management excellence and provides professional development for its members who come from all areas of the public sector. Whilst the vast majority of its members work in local government it also has members operating in senior positions in health authorities, police and fire authorities and central government. SOLACE spans all of the UK, having membership in Northern Ireland, Wales, Scotland and England.

Consultation

ADDENDUM TO *DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT : FRAMEWORK (CIPFA/SOLACE, 2007)*

The purpose of this consultation is to invite comments on the draft Addendum and to seek examples of good practice which could be included in the guidance note to *Delivering Good Governance in Local Government : Framework* which is currently being updated and will be published at the end of 2012.

CONSULTATION QUESTIONS

We are seeking views on the draft Addendum. In particular we would be welcome comments on the following :

1. Is the purpose of the Addendum clear ?
2. Is it clear how the Addendum fits with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* ? If not, what further explanation is required?
3. Are there any other issues or areas that are not in the Addendum which you believe should be addressed ?

Responses and offers to assist with case study material should be sent, preferably by email, by **21st September 2012** to :

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All comments will be a matter of public record.

Addendum

Introduction

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 principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The Framework is helping authorities to improve their performance, give local people better local services and provide stronger leadership for communities.

The Framework emphasises the importance of good governance to the wider outcomes of good management, good performance, and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation.

Purpose of the Addendum

The Supplement included in the *Delivering Good Governance in Local Government : Framework* has an example annual governance statement. For the purpose of this Addendum the example has been updated to give an increased emphasis on a strategic approach. The example has also been updated to reflect Regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement rather than a statement on internal control.

It should be stressed that it is an example and that authorities will need to think through it carefully and tailor it so that it communicates clearly how their governance arrangements provide assurance regarding the achievement of their vision.

This Addendum replaces the Application Note to *Delivering Good Governance in Local Government: Framework* issued in 2010.

Reporting

Delivering Good Governance in Local Government: Framework urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

The annual governance statement should provide a brief communication regarding the effectiveness of the review of governance that has taken place and the role of the governance structures involved (such as the authority, audit and other committees). It should be high level, strategic and written in an open and readable style. It should be focused on outcomes and value for money.

The preparation and publication of an annual governance statement in accordance with *Delivering Good Governance in Local Government : Framework* fulfils the

statutory requirement in England for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its statement of accounts. This requirement is reflected in *The Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC)*.

The governance framework

The following table lists the key elements of the typical systems and processes that comprise an authority's governance arrangements. An authority's review of the effectiveness of its governance arrangements will need to make appropriate reference to these elements.

<p>Key elements of the systems and processes that comprise an authority's governance include arrangements for:</p> <ul style="list-style-type: none">• identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users• reviewing the authority's vision and its implications for the authority's governance arrangements• measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money• defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication• developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff• reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality• reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability• ensuring effective counter fraud arrangements are developed and maintained• ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the <i>Role of the Chief Financial Officer in Local Government (2010)</i> and, where they do not, explain why and how they deliver the same impact• ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the <i>Role of the Head of Internal Audit (2010)</i> and, where they do not, explain why
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and how they deliver the same impact

- Ensuring that effective arrangements are in place for the discharge of the monitoring officer function
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities*
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistle blowing and for receiving and investigating complaints from the public
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships¹, and reflecting these in the authority's overall governance arrangements

EXAMPLE ANNUAL GOVERNANCE STATEMENT

¹ Governing Partnerships: Bridging the Accountability Gap, The Audit Commission 2005

Scope of responsibility

[The authority] 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. [The authority] also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

[The authority] has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework: Delivering Good Governance in Local Government*. A copy of the authority's code is on our website at [...] or can be obtained from [...]. This statement explains how [the authority] has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3) which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of [the authority's] policies, 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.

The governance framework has been in place at [the authority] for the year ended 31 March 20xx and up to the date of approval of the [annual report] and statement of accounts.

The governance framework

The annual governance statement should include a brief description of the key elements of the governance framework the authority has in place.

Review of effectiveness

[The authority] has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Briefly describe how the effectiveness of the governance framework has been evaluated.

I/we have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the executive/audit committee/overview and scrutiny committee/risk management committee (*amend list as appropriate*), and that they continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues

[Include an outline of the actions taken, or proposed, to deal with significant governance issues in relation to the authority achieving its vision.]

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Leading Member (or equivalent) & Chief Executive (or equivalent) on behalf of [the authority].

