

Cheltenham Borough Council
Audit Committee – 25 March 2015
Revised Code of Corporate Governance

Accountable member	Councillor Steve Jordan - Leader of the Council
Accountable officer	Mark Sheldon - Director of Resources
Ward(s) affected	None
Significant Decision	Yes
Executive summary	The Council has a Code of Corporate Governance (the Code) that is based upon a SOLACE and CIPFA model; there is a requirement to review it on a regular basis to ensure that it remains up to date and relevant then approved by Members. This year the review was undertaken by the Corporate Governance Group.
Recommendations	I recommend that: Audit Committee consider the Code, suggest any further changes that they feel are appropriate and approve for use during 2015-16. Audit Committee consider the 2 options within paragraph 1.9 and decides which Counter Fraud Statement it wishes to be included within the Annual Governance Statement

Financial implications	<p>Good corporate governance arrangements assist in protecting both the Councils and taxpayers assets from financial loss. The policy continues to demonstrate that the Council ensures that this is an important principle embedded in the organisation. There are no specific financial implications arising from this report.</p> <p>Contact officer: Director of Corporate Resources, Mark Sheldon.</p> <p><i>Email: mark.sheldon@cheltenham.gov.uk Tel: 01242 264123</i></p>
Legal implications	<p>None specific arising from the recommendation'</p> <p>Contact officer: Head of Legal Services</p> <p>Email; peter.lewis@teWKesbury.gov.uk,</p> <p>Tel; 01242 272012</p>

HR implications (including learning and organisational development)	The HR implications are as detailed in the Code of Corporate Governance. Contact officer: Carmel Togher <i>Email; carmel.togher@cheltenham.gov.uk, 01242 775215</i>
Key risks	If the code of Corporate Governance is not kept up to date then there is a risk that we will not meet policy and legislative requirements. If the Council does not maintain a robust governance framework then there is an increased risk to it not doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. If the Council does not have an effective governance framework then there is an increased risk of error, fraud and corruption. A risk template is attached at appendix 1.
Corporate and community plan Implications	<i>Effective corporate governance supports the Councils Corporate Strategy, MTFs and partnership working arrangements.</i>
Environmental and climate change implications	None

1. Background

- 1.1 The current Code was approved by the Audit Committee March 2014, this report informs the Audit Committee of revisions/amendment's and asks members to make further consideration so that any additional suggestions can be included. The draft Code is included at appendix 2.

Role of the Code of Corporate Governance

- 1.2 The Code is a public statement setting out the governance standards the Council will meet to ensure it is doing the right things, in the right way and operating in an inclusive, open, honest and accountable manner. It provides the organisation and internal and external auditors with assurance that the Council's governance standards are fit for purpose and up to date.
- 1.3 The Code sets out the Council's standards relating to internal audit, financial control, responding to external audit recommendations, recommendations from formal inspections, and maintaining the internal control environment. The Code also refers to the Constitution and the role of Audit Committee and other committees in providing democratic oversight of the Council's governance arrangements.
- 1.4 Local authorities are required under the Accounts and Audit (England) Regulations 2011 to prepare an Annual Governance Statement. CIPFA, the Chartered Institute of Public Finance and Accountancy, have produced a local framework entitled 'Delivering Good Governance in Local Government' which recommends both that local authorities produce and maintain a local code of governance and that their annual governance statement reports on the extent to which the code has been complied with. The Council's Code of Corporate Governance is based on the six core principles of the framework, these being:

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

1.5 The Code of Corporate Governance was reviewed by the Corporate Governance Group on the 5th March 2015. The Code has been revised to reflect the comments from the Corporate Governance Group and it is attached as appendix 2 to this report.

Reviewing the Code of Corporate Governance

- 1.6** CIPFA urges local authorities to ensure their Code of Corporate Governance remains up to date. Since the last refresh of the Code the local government landscape has shifted considerably leading to many new governance issues, for which it is important that the organisation sets out its standards. These include the provisions of the Localism Act 2011, the government’s data transparency agenda and the growing awareness of the importance of protecting information.
- 1.7** In December 2012 CIPFA published a new guidance note for Local Authorities on delivering good governance. The note draws attention to new governance issues, describes how their governance framework should be adhered to following the changes to local government, and includes examples of good governance practices amongst local authorities in responding to these issues. The Code of Corporate Governance takes these issues into account.
- 1.8** The document refers to a number of track changes to the Council’s controls in a number of governance areas which have arisen since the publication of the last Code.

Cipfa - Code of practice for managing the risk of fraud and corruption

- 1.9** Principle 6 of the Code of Corporate Governance refers to the Counter Fraud, Corruption and Bribery policy (approved by audit committee January 2013). This policy will need to be revised this year because of the new Counter Fraud Unit but also because of the Cipfa Code of practice for managing the risk of fraud and corruption. Cipfa’s new Code of Practice recommends that the body responsible for Annual Governance Statement approves an additional Counter Fraud statement to be included within it. This statement should one of the following two choices;
- **Statement 1** Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. Or
 - **Statement 2** Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.
- 1.10** Actions to be taken to manage the risk of fraud as mentioned in Statement 2 include Actions,

Responsibility and a Target date

- 1.11** It is recommended that Audit Committee approve Statement 1 for inclusion within the Annual Governance Statement. This is because the risk of fraud detail needed to address Statement 1 has already been assessed as part of the business case for the establishment of the Counter Fraud Unit approved by Cabinet on the 10th February 2015. Any further development activity or actions set out in the business case will be reported to this committee as part of the new reporting framework for the Counter Fraud Unit.

2. Reasons for recommendations

- 2.1** The Code of Corporate Governance should be up to date and as relevant as possible with the approval of Members.

3. Alternative options considered

- 3.1** None

4. Consultation and feedback

- 4.1** Consultation was undertaken with One Legal, members of the Senior leadership Team and the Corporate Governance group.

5. Performance management –monitoring and review

- 5.1** The Corporate Governance will review and update the Code as required and report back to Audit Committee on an annual basis.

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Appendices	1. Risk Assessment 2. Draft Code of Corporate Governance 2015-16

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the code of Corporate Governance is not updated and implemented then there is a risk that we will not meet policy and legislative requirements.	Director of Corporate Resources	25/03/2015	3	1	3	Reduce	Directors to ensure that any key internal Policies are maintained and used in line with the constitution, Financial Rules and Legislation .	01/04/2015	Corporate Governance, Risk and Compliance officer	No
	If the council does not maintain a robust governance framework then there is an increased risk to it not doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.	Director of Corporate Resources	25/03/2015	3	1	3	Reduce	Review and revise Code of Corporate Governance	01/04/2015	Corporate Governance, Risk and Compliance officer	No
	If the council	Director of	25/03/2015	3	1	3	Reduce	Revise	01/04/2015	Corporate	No

	does not have an effective Governance framework then there is an increased risk of error, fraud and corruption.	Corporate Resources						assurance check lists to measure changes introduced through amendments to the constitution and report within the 2012/13 annual governance statement		Governance, Risk and Compliance officer	

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6
(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close